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Vol. V 163

DEPARTMENT OF JUSTICE

Supreme Court of the United States

OCTOBER TERM, 1941

No. 7

FREDERICK E. BOKER, JOHN W. STEEDMAN AND BRYCE SCHLEY,
CONSTITUTED INTERNATIONAL BONDHOLDERS COMMITTEE,
PETITIONERS.

WESTERN PACIFIC RAILROAD CORPORATION, A. C. JAMES CO.,
THE RAILROAD CREDIT CORPORATION, ET AL.

No. 8

CROCKER FIRST NATIONAL BANK OF SAN FRANCISCO AND
CARROLL A. BISHOP, AS TRUSTEES UNDER THE WESTERN
PACIFIC RAILROAD COMPANY FIRST MORTGAGE, DATED JUNE
22, 1902, PETITIONERS.

WESTERN PACIFIC RAILROAD CORPORATION, THE WESTERN
PACIFIC RAILROAD COMPANY, IRVING TRUST COMPANY, ETC.,
ET AL.

No. 10

THE WESTERN PACIFIC RAILROAD COMPANY, PETITIONER.

FREDERICK E. BOKER, ET AL.

No. 33

RECONSTRUCTION FINANCE CORPORATION, PETITIONER.

WESTERN PACIFIC RAILROAD CORPORATION, A. C. JAMES CO.,
ET AL.

No. 61

IRVING TRUST COMPANY, AS SUBSTITUTED TRUSTEE UNDER
THE ORIGINAL AND REFUNDING MORTGAGE OF WESTERN
PACIFIC RAILROAD COMPANY, PETITIONER.

CROCKER FIRST NATIONAL BANK OF SAN FRANCISCO, ET AL.,
ETC.

ON WRITS OF HABEAS CORPUS TO THE UNITED STATES CIRCUIT COURT OF APPEALS
FOR THE NINTH CIRCUIT

WRITINGS FOR CERTIORARI FILED

DECEMBER 29, 1941
JANUARY 17, 1942
FEBRUARY 12, 1942
MARCH 29, 1942

CERTIORARI GRANTED APRIL 17, 1942

**TRANSCRIPT OF RECORD
In Eight Volumes**

FILED

DEC 29 1941

**CHARLES ELMORE CAWLEY
CLERK**

Supreme Court of the United States

October Term, 1941

No. 819 - 820 & 885

**In the Matter of
THE WESTERN PACIFIC RAILROAD COMPANY,
a corporation.**

Debtor.

**FREDERICK H. ECKER, JOHN W. STEDMAN and REEVE
SCHLEY, constituting the INSTITUTIONAL BOND-
HOLDERS COMMITTEE,**

Petitioners,

vs.

**WESTERN PACIFIC RAILROAD CORPORATION, a cor-
poration; A. C. JAMES CO., a corporation; THE RAIL-
ROAD CREDIT CORPORATION, a corporation; THE
WESTERN PACIFIC RAILROAD COMPANY, a corpo-
ration; IRVING TRUST COMPANY, a corporation, as
substituted Trustee under the General and Refunding
Mortgage of Western Pacific Railroad Company; RE-
CONSTRUCTION FINANCE CORPORATION; and
CROCKER FIRST NATIONAL BANK OF SAN FRAN-
CISCO and SAMUEL ARMSTRONG, as Trustees under
the First Mortgage of The Western Pacific Railroad Com-
pany, a corporation,**

Respondents.

VOLUME V

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**UPON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES CIRCUIT COURT OF
APPEALS FOR THE NINTH CIRCUIT.**

No. 9714

United States
Circuit Court of Appeals

For the Ninth Circuit.

In the Matter of

THE WESTERN PACIFIC RAILROAD COMPANY, a corporation.
Debtor.

WESTERN PACIFIC RAILROAD CORPORATION, a corporation, THE WESTERN PACIFIC RAILROAD COMPANY, a corporation and IRVING TRUST COMPANY, a corporation, as substituted Trustee under the General and Refunding Mortgage of Western Pacific Railroad Company, A. C. JAMES CO., a corporation, THE RAILROAD CREDIT CORPORATION, a corporation,
Appellants,

vs.

INSTITUTIONAL BONDHOLDERS COMMITTEE and RECONSTRUCTION FINANCE CORPORATION,
Appellees.

Transcript of Record

(Excluding Certain Portions not Printed, in Accordance with Stipulation and Order.)

In Six Volumes

VOLUME V

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Upon Appeals from the District Court of the United States for the Northern District of California, Southern Division.

J. F. BON

was sworn and testified as follows:

Mr. Nicodemus: Mr. Examiner, counsel for the Reconstruction Finance Corporation has asked that we introduce the commitments so far as made by the Reconstruction Finance Corporation. A letter is already in evidence as part of Exhibit No. 2. That Exhibit referred to a prior letter dated June 24, 1935. Mr. Willard asked that they be introduced. I have copies but I have not got the original.

Mr. Clay: What date is that?

Mr. Nicodemus: June 24, 1935. These are offered at [1834] the request of counsel, but they are not proved as the originals; they are subject to check.

Mr. Clay: The letter I have is dated July 20th.

Mr. Nicodemus: The July 20th letter refers to this letter (indicating).

Mr. Clay: You are putting in the July 20 letter, also?

Mr. Nicodemus: It is already in; it shows the history of the transactions.

Mr. Clay: May I have a copy of your letter of June 20th?

Mr. Nicodemus: July 20.

Mr. Clay: Yes, just let me see it.

(Counsel hands letter to Mr. Clay.)

Mr. Clay: This refers to a different proposal from the July 20 letter.

Mr. Nicodemus: I agree with you; it is referred to in the July 20th letter, and for that reason counsel requests it be put in.

(Testimony of J. F. Bon.)

Mr. Clay: You are putting it in to show the background of the July 20 letter?

Mr. Nicodemus: Correct.

Mr. Clay: I don't object to this going in, but I would like to call your attention to the fact that this letter is a letter from Mr. Jones to Mr. Schumacher. It says, "With the approval of the Interstate Commerce Com-[1835] mission and, in lieu of our proposal, that we will do so and so."

In that connection I want to say that the Reconstruction Finance Corporation is not satisfied with the treatment which is accorded it in the plan and, while we are not willing at this time to say what specific terms will be satisfactory to us, we do leave it to the discretion of the Commission to look after the interests of the Reconstruction Finance Corporation. This letter is of no binding effect without the Commission's approval.

Under this proposal we are asked to put up \$10,000,000, which is practically 400 per cent assessment on the present investment that the Reconstruction Finance Corporation has in the road and, most emphatically, the proposal is not satisfactory to us.

For one thing, the letter of July 20th says that we will take 70 per cent in income bonds. It was the understanding that we would be given the income bonds of series A which carried a sinking fund; this plan calls for 35 per cent in income bonds and 35 per cent of other income bonds with a sinking fund.

That is just one feature in which the plan is not

(Testimony of J. F. Bon.)

acceptable to the Reconstruction Finance Corporation.

Mr. Nicodemus: I have the June 24, 1935, letter, Mr. Examiner. [1836]

Examiner Boyden: Is there any objection to the receipt of this letter in evidence? (No response.) It will be received in evidence as Exhibit No. 24.

(Exhibit No. 24, Counsel Nicodemus, received in evidence.)

Mr. Nicodemus: Mr. Examiner, we now have copies of the letter addressed to the Reconstruction Finance Corporation by Mr. T. M. Schumacher, and reply thereto of Mr. Jesse H. Jones, Chairman of the Reconstruction Finance Corporation, both dated March 4, 1936, embodying the commitment of the Reconstruction Finance Corporation with respect to the purchase of \$3,000,000 of trustees' certificates.

Mr. Clay: May I see copies of this before it goes into the record?

Mr. Nicodemus: Surely.

Mr. Clay: With respect to these letters, Mr. Examiner, I merely call attention also to the fact that there are other commitments subject to the approval of the Interstate Commerce Commission, which I understand has been obtained, and of course, will have to be obtained before the loan can be made, and they will not be binding, of course, until the approval of the Commission is secured.

(Testimony of J. F. Bon.)

Mr. Nicodemus: This hearing is directed to that end, [1837] Mr. Clay—securing that authority.

Mr. Clay: That will have to be an application, according to my understanding of the Act,—under the Reconstruction Finance Corporation Act—because it calls for a loan on the Reconstruction Finance Corporation.

Examiner Boyden: The letter of March 4, 1936, from Mr. T. M. Schumaker to the Reconstruction Finance Corporation is offered in evidence as Exhibit No. 25; is there any objection? (No response.) It will be received in evidence.

(Exhibit No. 25, Counsel Nicodemus, received in evidence.)

Examiner Boyden: The letter of March 4, 1936, from Mr. Jesse H. Jones to the trustees of the Western Pacific Railroad is offered in evidence as Exhibit No. 26; is there any objection? (No response.) It will be received.

(Exhibit No. 26, Counsel Nicodemus, received in evidence.)

Direct Examination

Q. (By Mr. Nicodemus) Mr. Bon, will you please state your full name, your residence, and your occupation?

A. J. F. Bon, residence Oakland, California; Freight Traffic Manager of the Western Pacific Railroad [1838] Company.

Q. How long have you been identified with the Western Pacific Railroad Company?

A. Since 1910, with the exception of two years.

(Testimony of J. F. Bon.)

Q. President Elsey and the preceding witness testified that you would be prepared to support the assumed operating revenues set forth in Exhibit No. 22, which has already been received in evidence. Are you prepared to do so? A. Yes, sir.

Q. Have you, yourself, prepared an exhibit or group of exhibits designed to support that section of Exhibit No. 22? A. I have.

Q. It has already been handed to the Commission?

Examiner Boyden: Off the record.

(Discussion off the record.)

Mr. Nicodemus: I now offer a document presented by the witness, consisting of statements indicating operating revenues of the Western Pacific Railroad Company preceding the year 1936, and the forecast of those revenues for the year 1936 to 1940, inclusive, and I offer it in evidence, subject to the detailed testimony of the witness in support of the several tables which this exhibit contains. [1839]

Examiner Boyden: Mark it Exhibit No. 27.

(Exhibit No. 27, Witness Bon, was marked for identification.)

Q. (By Mr. Nicodemus) Mr. Bon, will you please proceed to explain in detail Exhibit No. 27?

A. The forecast of operating revenues of the Western Pacific Railroad Company for the years 1936, to 1940, inclusive, was made after analyzing the traffic of the railroad from 1920 to 1935, inclusive, and what we might reasonably expect in the

(Testimony of J. F. Bon.)

future if the upward trend of business continues.

The consensus of opinion of our traffic representatives and business men is that the depression from which we have suffered is definitely behind us and that we are now entering an era of prosperity.

During previous depressions or hard times the railroads have only suffered to the same extent as other business, but during the past depression the railroads have also suffered loss of traffic due to other forms of transportation entering the field and cutting rates, taking an immense volume of traffic from the railroads. I refer to highway trucking and inland water and canal transportation.

The Federal Government, through the Interstate Commerce Commission, is now endeavoring to regulate [1840] interstate highway transportation. Likewise, the state of California is now regulating practically all highway transportation agencies, and when the regulation really becomes effective, it will have the effect of eliminating some highway transportation agencies from the field and those that remain will be better organized and maintain a reasonable basis of rates, which has not been the practice in the past.

It is felt that federal and state regulation of these transportation agencies will bring about a better and more reliable rate structure, and on a higher basis than at present.

The Western Pacific Railroad and other lines with whom it has a joint freight rate structure, has water competition as follows:

(Testimony of J. F. Bon.)

1. On transcontinental traffic via the Panama Canal between the Pacific Coast and Atlantic and Gulf ports, and also in connection with canal lines and inland waterways, such as the Mississippi and Ohio Rivers and the Great Lakes.

2. Coastwise between California and Oregon and Washington.

3. Inland waterways in California.

Some time ago the canal water carriers informed us they had to have more money per ton to meet their [1841] increased operating expenses due to the San Francisco Longshoremen's Adjustment and increased wages given the seamen. Some increase in coastwise water rates has already taken place and others are in progress.

One of the large California inland waterway carriers is now before the California Railroad Commission asking that body to authorize an increase in their rates and to compel their competitors, the rail lines and the truck lines, to also increase their rates.

The transcontinental rail lines and Panama Canal water carriers meet at least four times a year to discuss changes in freight rates, the particular object being to cooperate and not unnecessarily reduce rates.

The Canal lines the latter part of last year made a blanket increase in their rates, and I think even today their rate structure is entirely too low.

The Interstate Commerce Commission and the Shipping Board have jointly interested themselves

(Testimony of J. F. Bon.)

in seeing that the rate structure is not unnecessarily reduced. I have in mind the recent conference in Washington between the Commission, the Shipping Board, the canal lines and the transcontinental carriers, which resulted in the railroads withdrawing a reduction in their rates on liquors and the water lines increasing their rates.

It is my judgment that railroad freight rates as a [1842] whole are as low today as they will be for a number of years to come, and the tendency in the immediate future will be towards a higher level of rates than today, due to conditions above indicated.

In connection with truck competition, due to good highways in California, Nevada and Utah, and in the past no regulation of those carriers, we have suffered a tremendous loss in traffic and revenue.

Prior to the advent of motor truck competition between California and Utah practically of our movement was under the class rates, the first four being between San Francisco and Utah common points \$2.16 $\frac{1}{2}$, \$1.84 $\frac{1}{2}$, \$1.62 $\frac{1}{2}$ and \$1.35 per 100 pounds.

The motor truck competition made it necessary for us to publish pick-up and delivery rates of \$1. and \$1.25 per 100 pounds, on a great many commodities, so today at least 90 per cent of our movement, above referred to, is under these reduced rates.

When regulation becomes effective there is no doubt in my mind that the rates between Califor-

(Testimony of J. F. Bon.)

nia and Utah will be increased; in fact, the truck lines have already approached the railroads with that in view.

All of these things should result in the railroads securing a greater share of the traffic moving in the future than they have in the past five years, and at [1843] rates somewhat higher than today.

Our northern California extension from Keddie, on the main line, to Bieber, California, makes connection with the Great Northern Railway, extending south from Klamath Falls. The Hambone Line, extending westerly from Lookout, California, connects with the McCloud River Railroad.

This line was placed in operation on November 10, 1931, and the traffic has increased tremendously since the first full year of operation. For that reason I have found it necessary, so far as freight traffic is concerned, to consider separately traffic moving via the Northern California extension and that moving via the balance of the system for the years 1932 to 1935, inclusive.

I did not make any segregation of freight revenue as between the extension and the balance of the system for the one and three-quarters months the extension was in operation during 1931.

It is my belief that if business normalcy had prevailed during the year 1935 our freight revenue, exclusive of the northern California extension would have been about the average for the years 1926 and 1927, or approximately twelve and one-half million

(Testimony of J. F. Bon.)

dollars, which, plus the actual freight revenue earned on traffic [1844] transported via the northern California extension, would have made our total freight revenue approximately fourteen and three-quarter million dollars.

Examiner Boyden: Off the record.

(Discussion off the record ensued.)

The Witness: Shall I proceed?

Q. (By Mr. Nicodemus) Proceed, and if you will, explain statement No. 1.

A. Exhibit No. 27 consists of 14 statements, and are so numbered.

Statement No. 1 indicates the cars handled by the Western Pacific Railroad from Roville, California, to Weso, Nevada, for the Southern Pacific Company.

The Western Pacific Railroad and its subsidiary, the Sacramento Northern Railway, had an agreement with the Southern Pacific Company for the transportation for the Southern Pacific of certain carload traffic between Chico, California, and Weso, Nevada, for \$60. per car, of which the Western Pacific received \$54. per car. The statement shows the number of cars transported and the revenue the Western Pacific received therefrom. This Chico-Weso bridge revenue will be referred to later or in some of the other statements in this exhibit.

That arrangement was terminated at the end of 1929.

Q. That is when the traffic ceased to move?

[1845]

(Testimony of J. F. Bon.)

A. Yes.

Q. Will you pass to statement No. 2.

A. Statement No. 2 was prepared to indicate to the Commission why account 143 for the year 1935 showed such a marked decrease as compared with previous years.

In years prior to 1935, money received by us from the sale of ice and salt was credited to account 143, but in 1935, on instructions of the Commission, it was credited to account 402.

Q. Account No. 402 is inflated accordingly,—is that the idea? A. Yes, sir.

Q. Will you explain statement No. 3.

A. Statement No. 3 shows the population, actual and estimated, for the years 1920, 1930 and 1935, for the states of California, Nevada and Utah; also the counties and cities in those states in which we and our subsidiaries operate.

Q. What do you have in mind in offering that statement?

A. To show that the states of California, Nevada, and Utah, and especially California are increasing in population quite rapidly.

Q. Thank you. Will you please explain statement No. 4.

A. Statement No. 4 indicates the traffic which we [1846] interchanged with our subsidiaries and certain of our other connections, the other connections being the Denver & Rio Grande Western, Great Northern, Oregon Short Line and Union Pacific.

(Testimony of J. F. Bon.)

I selected the Denver & Rio Grande Western, Great Northern, Oregon Short Line and Union Pacific, because the freight we interchange with those carriers, particularly the Denver & Rio Grande Western, Oregon Short Line and Union Pacific is freight on which we secure practically our maximum haul.

It will be noted our interchange with the Denver & Rio Grande Western was greater in 1935 than in any other year shown in the exhibit; with the Oregon Short Line greater in 1935 than in 1927, but less in 1935 than some of the other years; with the Union Pacific the 1935 interchange was greater than in any other year shown, except for 1930.

Q. Statement No. 5 is the next statement.

Q. (By Examiner Boyden) What reason do you give for the statement you just made about the comparison of interchange with various roads in 1935, as compared with the present year?

A. We have more than held our own on so-called long haul traffic, and transcontinental freight; we have lost considerable short haul freight, but we maintain our [1847] position on the long haul freight; the earnings per ton mile are low, but the earnings per ton themselves are reasonably high.

Statement No. 5 shows the revenues earned for passengers, mail, express and other related accounts for the years 1923 to 1935, inclusive. There is also shown on the bottom of the statement data indicating the passenger trains operated. The greatest

(Testimony of J. F. Bon.)

revenue earned was for the year 1923 and the lowest that for the year 1933.

Mr. Nicodemus: Will you proceed with statement No. 6.

A. Statement No. 6 is the forecast for the years 1936 to 1940, inclusive, of revenues to be earned from passenger, mail, express and the other accounts indicated.

At the present time we have only one passenger train daily between San Francisco, California, and Salt Lake City, Utah. We expect to inaugurate additional passenger service effective on May 1, 1937.

During the early part of 1937, schedules between San Francisco Bay on the one hand, and Chicago, St. Louis and the Missouri River on the other, should be shortened, and this will enable us to more nearly meet the service of competing railroads. The improved [1848] service of the Denver & Rio Grande Western Railroad via the Dotsero Cut-off as it becomes better known, and the fact that the Denver & Rio Grande Western and the Western Pacific offer the most scenic trip between California and the East, will enable us to materially increase our passenger revenues.

The San Francisco Bay exposition is to be held during the year 1939. Naturally, the greatest revenue is shown for that year. That revenue, however, will be \$880,000 less than the average for the years 1923 to 1927, inclusive.

Statement No. 7 indicates how revenues for pass-

(Testimony of J. F. Bon.)

enger, mail, express and other related accounts indicated in statement No. 6 were arrived at.

Q. This statement very largely speaks for itself?

A. No comments are necessary, I think.

Q. Correct. Will you take up statement No. 8?

A. Statement No. 8 indicates the freight traffic moved via the Western Pacific Railroad Northern California Extension, together with the revenue earned.

The revenue from products of the forest is greater than any other group for any of the years, and for the year 1935, represents 42 per cent of the total revenue. During the year 1934, the total traffic increased very materially due to the San Francisco Bay waterfront [1849] difficulties which prevented shippers from using the competitive water route, particularly on northbound freight. It did not seem to affect to the same extent southbound freight, particularly forest products.

During the year 1935, the movement of forest products from the Pacific Northwest was hampered due to labor troubles in sawmills and forests, which accounts for the smaller increase in the movement of products of the forest for the year 1935 over 1934.

* It will be noticed the total revenue for the year 1935 increased 108½ per cent over the year 1932, which is a three-year period. I realize there is a saturation point some place, but my judgment is the

(Testimony of J. F. Bon.)

revenue which we will earn during the next five years will be about double that for 1935, but statement No. 12 will show a lesser increase.

We still have water competition, but those carriers must secure more money per ton and their rates are generally being put on a higher basis than on a lower level. If we do not advance the rail rates when the water rates are increased we can expect more traffic.

However, on the other hand if the rail rates are advanced, then we can expect about the same relative amount of traffic as we formerly handled, but will earn more revenue. [1850]

At the present time we only have a very few joint rates with the SP&S System.

Q. What is that SP&S?

A. That is the Spokane, Seattle & Portland Railway System,—and none with the Northern Pacific Railway. It now appears likely that sometime in the very near future we will have a complete line of freight rates with the SP&S System and possibly with the Northern Pacific.

Manufacturing in California is on the increase and we can look for additional traffic from California to the Northwest. There has recently been established in Southern California automobile assembling plants of General Motors and the Studebaker people, in addition to existing plants of Chrysler, Willys and Ford.

(Testimony of J. F. Bon.)

The Northern California Extension was placed in operation on November 10, 1931, at almost the bottom of the depression, which we did not begin to come out of until 1935, yet we have made a remarkable showing.

Since completion of the line we have experienced material increases in revenue each year which indicates the line is now well established in the minds of shippers and that they have confidence in our ability to render satisfactory service, hence we can expect a steady increase in that traffic and the revenue for a number of years to come. [1851]

Q. Will you explain statement No. 9, Mr. Bon?

A. Statement No. 9 is a showing by groups of commodities of Western Pacific Railroad freight traffic and revenue for the years 1923 to 1935, inclusive. It does not include any traffic moved via the Northern California extension, nor any money earned from the Chico-Weso bridge service.

Q. (By Mr. Nicodemus) What is the purpose of that statement, and what have you particularly in mind as to it?

A. I wanted the Commission to know what the Northern California extension has done since 1923 to and including 1935 and the period for the first five years above mentioned. This, together with my informed judgment, is how I computed my final forecast.

Q. What is statement No. 10?

(Testimony of J. F. Bon.)

A. Statement No. 10 indicates the freight revenues of The Western Pacific Railroad for the years 1920 to 1935, inclusive.

The average for the years 1923 to 1927, inclusive, was \$11,552,481, and the average for the years 1926 and 1927 was \$12,475,087, the latter being approximately \$1,800,000 less than the peak calendar year of 1929.

The years 1927, 1928, 1929 and 1930, produced greater freight revenues than the average for the years 1926 [1852] and 1927.

The forecast of freight revenues for the year 1940, as shown by statement No. 12 is \$17,919,621. The 1940 forecast for the Northern California extension of \$4,171,625, plus the average for the years 1926 and 1927 for the balance of the system, equals \$16,646,712.

The 1940 forecast for the Northern California extension, plus the 1929 actual freight revenue for the balance of the system equals \$18,458,875. This is approximately $\frac{1}{2}$ million dollars more than the forecast of freight revenues for the year 1940.

Q. Will you explain statement No. 11?

A. Statement No. 11 shows the freight revenue by months for the years 1928 and 1929; also the revenue earned the last six months of 1928 and the first six months of 1929. The results of the depression did not affect us until July, 1929; in August of that year we again improved our position, but from there on to the end of the year the revenues declined steadily.

(Testimony of J. F. Bon.)

Q. Statement No. 11 indicates the forecast of revenues by groups or grouped commodities for the years 1936 and 1940?

The Witness: That is exhibit No. 12, Mr. Nicodemus.

Mr. Nicodemus: Is that No. 12? [1853]

The Witness: Yes.

Mr. Nicodemus: 12; all right.

The Witness: Products of agriculture—Northern California extension—I increased our 1933 revenue by 80 per cent for the next five years. Our 1935 revenue was 128 per cent of that for 1932, or an increase of 43 per cent a year.

For the balance of system, I increased our 1935 revenue by 25 per cent for the next five years, but have shown no increase for the year 1936, because we have made a poor start during the months of January and February due to a freeze which occurred in December, partially destroying our celery crop which would have moved in January; also heavy rains during February increasing our loss due to picking, packing and shipping of California vegetables being retarded.

Q (By Examiner Boyden) Just what do you mean by increasing 25 per cent for the next five years? Is that a total of 25 per cent for the next five years divided equally?

A. Divided equally between the next five years. I did not increase 1936 any—that is, the 1940 revenue will be 125 per cent of the revenue of 1935.

(Testimony of J. F. Bon.)

Animals and products—Northern California extension—each year's revenue has been increased \$2,000, [1854] which has been about our experience since the line was opened for operation.

Balance of system—I have increased the revenue for the next five years 25 per cent over the year 1935, or an average increase of 5 per cent a year. The tonnage and revenues we have enjoyed the last few years of this class of freight has been disappointing due to several drought years in the West and other conditions, but I look for an improvement.

The estimated revenue for the system (outside of Northern California extension) for the year 1940, is \$600,000, and which is approximately the average of the years 1923 to 1927, inclusive, but considerably less than we earned in the years 1929, 1930 and 1931.

For the products of mines on the Northern California extension, I have increased the 1935 revenue by 50 per cent for the next five years. Our 1935 revenue was 64 per cent greater than for 1932.

For the balance of the system, an increase of 30 per cent over 1935 has been taken for the next five years. This is a larger increase than we have experienced in the past few years, but the year 1935 revenue increased 20 per cent over 1934. There is a revival of mining in our territory; two large copper mines having recently opened, the ore moving to the Utah smelters. [1855]

(Testimony of J. F. Bon.)

Products of the forest—The McCloud River Lumber Company, with a mill at McCloud, California, located on the McCloud River Railroad, with whom we have a connection, anticipate their cut of lumber for the year 1936 will be 25 per cent greater than in the year 1935, and state there will be a continued increase in future years if economic conditions keep on improving.

The Red River Lumber Company, who have the largest mill in the State of California, and which is located at Westwood, California, on our Northern California extension; make approximately the same prediction.

One of the large mill operators in the Klamath Falls District states he considered their business for the year 1928, was normal and that 1935 was 40 per cent below normal; due mostly to credit conditions. He anticipates their 1936 business will be in excess of 25 per cent better than in 1935.

In that connection the World Almanac, published by the New York World-Telegram, for the year 1936, reproduces on page 440 some statistics furnished by the U. S. Department of Labor in connection with the estimated expenditures for building construction and families provided for in 250 identical cities, that the year 1921 was 100 per cent, and the following percentages obtained for the class of buildings indicated [1856] for the year 1934:

New residential buildings	8.1%
New non-residential buildings	25.9%

(Testimony of J. F. Bon.)

Additions, alterations and repairs.....	48.0%
Total building operations	20.3%
Families provided for	9.8%

On the Northern California extension, I have increased the 1935 revenue by 90 per cent for the next five years. The Northern California extension has been in operation four full years, our revenue on this group of commodities in 1935 being 121 per cent of that for 1932, or an increase of 40 per cent a year.

It can be anticipated that several additional mills will be constructed on our Northern California extension because the large timber owners, due to taxes and maturity of the timber, now find it unprofitable to hold this timber much longer.

For the balance of the system, I have increased our 1935 revenue by 80 per cent for the next five years. We have on that part of our system ten lumber mills, we having lost one mill by a fire in 1927, which has not been replaced, but the owners of the timber are contemplating the construction of another mill.

The estimated revenue for the balance of the system for the year 1940, will be approximately that which we earned in 1930, and we estimate that it [1857] will be approximately \$400,000 less than the average for the years 1923 to 1927, inclusive.

(Testimony of J. F. Bon.)

Manufactures and miscellaneous—Northern California extension—the revenue for the next five years has been increased 90 per cent over that for the year 1935, or an average increase per year of less than 20 per cent. Our actual increase in 1935 over 1932, was 132 per cent, or 44 per cent a year.

For the balance of the system, the revenue for the next five years has been increased 50 per cent over that for 1935, or 10 per cent a year. We have done better than that the last three years, our 1935 revenue being 153 per cent greater than 1932.

Regulation of highway trucking and the necessity of the Panama Canal steamship lines for greater revenue per ton should assure us this estimate.

For the less than carload traffic on the Northern California extension, I have taken an increase of 90 per cent of our 1935 revenue for the next five years. Our 1935 revenue was 108 per cent greater than that for the year 1932, or an increase of 35 per cent a year.

For the balance of the system, I anticipate the revenue for the next five years will be at least 25 per cent greater than in 1935, due to the improvement in general conditions, the regulation of highway trucking [1858] and the desire of the Panama Canal steamship lines to secure greater revenue per ton.

Q. (By Mr. Nicodemus) You have no comment to make on statement.No. 13?

A. It is self-explanatory.

(Testimony of J. F. Bon.)

Q. Will you proceed with statement No. 14.

A. Statement No. 14 is the complete forecast of all railroad operating revenues for the years 1936 to 1940, inclusive.

Q. That is, it is based on the first five blocks on exhibit No. 22—total operating revenues?

A. Yes, sir.

Q. For the years 1936 to 1940?

A. I have already explained how the forecast was made on the principal items and will now cover the balance of them.

Accounts Nos. 110 and 143: I used the same percentage of freight revenue for the next five years as those revenues bore to the freight revenue for the year 1935.

Accounts Nos. 135, 137 and 142: I used the same revenue for the ensuing years as we earned in 1935, because the percentages of those revenues to the freight revenue in 1935, was less than one tenth of 1 per cent. [1859]

Accounts Nos. 151 and 152 (Joint Facilities-Credit): I used the same credit as is shown for the year 1927 and which was less than in the year 1925.

Q. For the reasons stated, you predict for 1936, railway operating revenues of \$13,438,000?

A. Yes, sir.

Q. For 1937, \$15,054,000?

A. Yes, sir.

Q. For 1938, \$16,508,000?

A. Yes, sir.

Q. For 1939, \$18,383,000?

A. Yes, sir.

Q. And for 1940, \$19,655,000?

1950

A. C. James Co. et-al. vs.

(Testimony of J. F. Bon.)

A. That is correct.

Q. Do you consider those estimates conservative and reasonably to be expected for those years?

A. I do.

(Exhibit No. 27, Witness Bon, received in evidence.)

[Here follows Exhibit No. 27 continuing to page 1973.]

EXHIBIT No. 27
STATEMENTS
INDICATING OPERATING REVENUES
OF
THE WESTERN PACIFIC RAILROAD
COMPANY
Preceding the year 1936
and a
Forecast of those revenues for
the years 1936 to 1940, inclusive.

Office of Vice President-Traffic,
The Western Pacific Railroad Co.,
San Francisco, California.
March 5, 1936.

(Testimony of J. F. Bon.)

Statement No. 1

The Western Pacific Railroad Company

STATEMENT OF CARS HANDLED BY W. P. RR. FROM OROVILLE, CALIF., TO WESO, NEVADA (331 MILES), FOR SOUTHERN PACIFIC COMPANY AND REVENUE DERIVED THEREFROM

Year	Cars	W. P. Railroad Revenue
1924	7,628	\$ 411,912.00
1925	11,123	600,642.00
1926	13,133	709,182.00
1927	13,452	726,408.00
1928	14,057	759,078.00
1929	11,862	640,548.00
1930	8	432.00
1931	8	432.00
Total	71,271	\$3,848,634.00

Statement No. 2

The Western Pacific Railroad Company

AMOUNTS CREDITED TO ACCOUNT 143 FOR ICE AND SALT SALES

Year	Amount
1927	\$ 476,637.28
1930	595,381.12
1931	413,538.10
1932	356,755.82
1933	284,321.34
1934	395,196.67
1935	
Total	\$2,521,830.33
Average per year	420,305.05
For year 1935 amount is credited to Item 402.	

The Western Pacific Railroad Company
STATEMENT SHOWING
POPULATION OF TERRITORY SERVED BY
THE WESTERN PACIFIC RAILROAD COMPANY
AND
SUBSIDIARIES

Territory	Period			Percentage Change		
	1930 (From U. S. Dept. of Commerce— Bureau of Census)	1930 (From U. S. Dept. of Commerce— Bureau of Census)	1935 (Estimated)	1930 vs. 1920	1935 vs. 1930	1935 vs. 1920
I. States	3,953,664	6,276,156	—	+ 58.7	—	—
(a) California	3,426,861	5,677,251	6,367,860 (1)	+ 65.7	+ 12.2	—
(b) Nevada	77,407	91,058	•	+ 17.6	—	—
(c) Utah	449,396	507,847	•	+ 13.0	—	—
II. Counties	1,433,995	1,886,646	2,018,220	+ 31.6	+ 7.0	+ 40.7
(a) California	1,230,728	1,636,519	1,760,970 (1)	+ 33.0	+ 7.6	+ 43.1
1. Alameda	344,177	474,883	493,120 (1)	+ 38.0	+ 3.8	+ 43.3
2. Butte	30,030	34,093	40,140 (1)	+ 13.5	+ 17.7	+ 33.7
3. Lassen	8,507	12,589	13,030 (1)	+ 48.0	+ 3.5	+ 53.2
4. Plumas	5,681	7,913	10,010 (1)	+ 39.3	+ 26.5	+ 76.2
5. Sacramento	91,029	141,999	159,230 (1)	+ 56.0	+ 12.1	+ 74.9
6. San Francisco	506,676	634,394	673,960 (1)	+ 25.2	+ 6.2	+ 33.0
7. San Joaquin	79,905	102,940	115,960 (1)	+ 28.8	+ 12.6	+ 45.1
8. Santa Clara	100,676	145,118	159,510 (1)	+ 44.1	+ 9.9	+ 58.4
9. Stanislaus	43,557	56,641	63,730 (1)	+ 30.0	+ 12.5	+ 46.3
10. Sutter	10,115	14,618	17,320 (1)	+ 44.5	+ 18.5	+ 71.2
11. Yuba	10,375	11,331	14,960 (1)	+ 9.2	+ 32.0	+ 44.2
(b) Nevada	36,020	46,612	50,750	+ 29.4	+ 8.9	+ 40.9
1. Elko	8,083	9,960	11,000 (2)	+ 23.2	+ 10.4	+ 36.1
2. Eureka	1,350	1,333	1,450 (2)	— 1.3	+ 8.8	+ 7.4
3. Humboldt	3,743	3,795	3,800 (2)	+ 1.4	+ 0.1	+ 1.5
4. Lander	1,414	1,714	1,800 (2)	+ 21.2	+ 5.0	+ 27.3
5. Pershing	2,803	2,652	2,700 (2)	— 5.4	+ 1.8	+ 3.7
6. Washoe	48,627	27,158	30,000 (2)	+ 45.8	+ 10.5	+ 61.1
(c) Utah	167,247	203,515	206,500	+ 21.7	+ 1.5	+ 23.5
1. Salt Lake	159,282	194,102	197,000 (3)	+ 21.9	+ 1.5	+ 23.7
2. Tooele	7,965	9,413	9,500 (3)	+ 18.2	+ 0.9	+ 19.3
III. Cities	1,152,483	1,491,554	1,641,261	+ 29.4	+ 10.0	+ 42.4
(a) California	1,020,184	1,329,541	1,473,761	+ 30.3	+ 10.8	+ 44.5
1. Chico	9,339	7,961	•	— 14.8	—	—
2. Colusa	1,846	2,116	2,360 (4)	+ 14.6	+ 11.5	+ 27.8
3. Marysville	5,461	5,763	6,000 (4)	+ 5.5	+ 4.1	+ 9.9
4. Modesto	9,241	13,842	15,000 (4)	+ 49.8	+ 8.4	+ 62.3

2. Butte	30,030	34,093	40,140 (1)	+ 13.5	+ 17.7	+ 33.7
3. Lassen	8,507	12,589	13,030 (1)	+ 48.0	+ 3.5	+ 53.2
4. Plumas	5,681	7,913	10,010 (1)	+ 39.3	+ 26.5	+ 76.2
5. Sacramento	91,029	141,999	159,230 (1)	+ 56.0	+ 12.1	+ 74.9
6. San Francisco	506,676	634,394	673,960 (1)	+ 25.2	+ 6.2	+ 33.0
7. San Joaquin	79,905	102,940	115,960 (1)	+ 28.8	+ 12.6	+ 45.1
8. Santa Clara	100,676	145,118	159,510 (1)	+ 44.1	+ 9.9	+ 58.4
9. Stanislaus	43,557	56,641	63,730 (1)	+ 30.0	+ 12.5	+ 46.3
10. Sutter	10,115	14,618	17,320 (1)	+ 44.5	+ 18.5	+ 71.2
11. Yuba	10,375	11,331	14,960 (1)	+ 9.2	+ 32.0	+ 44.2
(b) Nevada	36,020	46,612	50,750	+ 29.4	+ 8.9	+ 40.9
1. Elko	8,083	9,960	11,000 (2)	+ 23.2	+ 10.4	+ 36.1
2. Eureka	1,350	1,333	1,450 (2)	- 1.3	+ 8.8	+ 7.4
3. Humboldt	3,743	3,795	3,800 (2)	+ 1.4	+ 0.1	+ 1.5
4. Lander	1,414	1,714	1,800 (2)	+ 21.2	+ 5.0	+ 27.3
5. Pershing	2,803	2,652	2,700 (2)	- 5.4	+ 1.8	+ 3.7
6. Washoe	18,627	27,158	30,000 (2)	+ 45.8	+ 10.5	+ 61.1
(c) Utah	167,247	203,515	206,500	+ 21.7	+ 1.5	+ 23.5
1. Salt Lake	159,282	194,102	197,000 (3)	+ 21.9	+ 1.5	+ 23.7
2. Tooele	7,965	9,413	9,500 (3)	+ 18.2	+ 0.9	+ 19.3
III. Cities	1,152,483	1,491,554	1,641,261	+ 29.4	+ 10.0	+ 42.4
(a) California	1,020,184	1,329,541	1,473,761	+ 30.3	+ 10.8	+ 44.5
1. Chico	9,339	7,961	•	- 14.8	-	-
2. Colusa	1,846	2,116	2,360 (4)	+ 14.6	+ 11.5	+ 27.8
3. Marysville	5,461	5,763	6,000 (4)	+ 5.5	+ 4.1	+ 9.9
4. Modesto	9,241	13,842	15,000 (4)	+ 49.8	+ 8.4	+ 62.3
5. Oakland Area	334,288	465,861	490,943 (4)	+ 36.7	+ 7.5	+ 46.8
6. Oroville	3,340	3,698	5,000 (4)	+ 10.7	+ 35.2	+ 49.7
7. Sacramento	65,908	93,750	102,000 (4)	+ 42.2	+ 8.8	+ 54.8
8. San Francisco	506,676	634,394	703,233 (4)	+ 25.2	+ 19.9	+ 38.8
9. San Jose	39,642	57,651	87,500 (4)	+ 45.4	+ 51.8	+ 120.7
10. Stockton	40,296	47,963	55,525 (4)	+ 19.0	+ 15.8	+ 37.8
11. Woodland	4,147	5,542	6,200 (4)	+ 33.6	+ 11.9	+ 49.5
(b) Nevada	14,189	21,746	25,500	+ 53.3	+ 17.3	+ 79.7
1. Elko	2,173	3,217	4,500 (2)	+ 48.0	+ 39.9	+ 107.1
2. Reno	12,016	18,529	21,000 (2)	+ 54.2	+ 13.3	+ 74.8
(c) Utah	118,110	140,267	142,000	+ 18.8	+ 1.2	+ 20.2
1. Salt Lake City	118,110	140,267	142,000 (3)	+ 18.8	+ 1.2	+ 20.2

*No estimate available.

(1) Estimated by California Taxpayer's Association, Los Angeles, January 1, 1935.

(2) From G. I. Martin, General Agent, Western Pacific Railroad, Reno, Nevada.

(3) From P. J. Peckens, General Agent, Western Pacific Railroad, Salt Lake City, Utah.

(4) Local Chamber of Commerce.

Office of Vice Pres.—Traffic
San Francisco, California
February 27, 1936

(Testimony of J. F. Bon.)

Statement No. 4

The Western Pacific Railroad Company

W. P. R. R. INTERCHANGE OF FREIGHT TRAFFIC, AND REVENUE DERIVED THEREFROM, WITH OTHER LINES AS INDICATED.**SACRAMENTO NORTHERN RAILWAY**
(A subsidiary of W. P. RR.)

	Year	Cars	Tons	W. P. RR. Revenue
Received from S. N. Ry.....	1927	.....	131,144	\$ 585,554.50
	1930	.....	314,910	854,608.63
	1931	.....	308,096	641,709.98
	1932	10,328	294,058	620,525.03
	1933	11,848	357,997	648,844.52
	1934	12,962	395,411	726,980.80
	1935	9,960	272,527	665,305.90
Delivered to S. N. Ry.....	1927	.....	67,198	\$ 196,081.48
	1930	.....	312,173	273,657.21
	1931	.....	91,916	206,084.58
	1932	3,141	107,170	204,573.01
	1933	3,283	91,278	202,884.68
	1934	3,332	90,277	195,977.24
	1935	3,433	95,079	227,207.43
Total	1927	.....	198,342	\$ 781,635.98
	1930	.....	627,083	1,128,265.84
	1931	.....	400,012	847,794.56
	1932	13,469	401,228	825,098.04
	1933	15,131	449,275	851,729.20
	1934	16,294	485,688	922,958.04
	1935	13,393	367,606	892,513.33

Sacramento Northern Railway is 275 miles in length.

Office of Vice Pres.—Traffic

San Francisco, Calif.

February 27, 1936

1954

A. C. James Co. et al. vs.

(Testimony of J. F. Bonk)

TIDEWATER SOUTHERN RAILWAY COMPANY
(A subsidiary of W. P. RR.)

	Year	Cars	Tons	W. P. RR. Revenue
Received from T. S. Ry.....	1927	.....	82,562	\$ 559,661.09
	1930	.....	99,198	684,445.05
	1931	.....	66,954	387,072.38
	1932	3,635	66,859	338,357.00
	1933	2,877	55,783	297,420.52
	1934	4,128	71,115	433,493.63
	1935	4,283	77,388	455,676.79
Delivered to T. S. Ry.....	1927	.....	70,867	\$ 69,571.47
	1930	.....	65,643	71,857.86
	1931	.....	107,322	87,485.49
	1932	4,187	163,198	110,996.06
	1933	4,671	189,540	125,471.80
	1934	4,236	172,303	115,575.56
	1935	2,928	108,867	89,071.72
Total	1927	.....	153,429	\$ 629,232.56
	1930	.....	164,841	756,302.91
	1931	.....	174,276	474,557.87
	1932	7,822	230,057	449,353.06
	1933	7,548	245,323	422,892.32
	1934	8,364	243,418	549,069.19
	1935	7,211	186,255	544,748.51

Tidewater Southern Railway is 63 miles in length.

THE DENVER AND RIO GRANDE WESTERN RAILROAD

	Year	Cars	Tons	W. P. RR. Revenue
Rec'd from D&RGW RR.....	1927	.....	694,595	\$2,977,036.23
	1930	.....	712,913	2,992,135.07
	1931	.....	532,935	2,531,887.59
	1932	12,157	416,423	2,008,408.58
	1933	13,126	433,158	2,276,905.89
	1934	14,602	435,491	2,390,393.61
	1935	15,990	492,412	2,666,861.64

(Testimony of J. F. Bon.)

Delivered to D&RGW RR.	1927	.....	414,852	\$2,363,055.08
	1930	.....	491,861	2,334,540.04
	1931	.....	375,987	2,548,631.86
	1932	16,484	338,405	2,316,012.45
	1933	17,279	369,851	2,417,426.64
	1934	20,640	448,175	2,807,860.06
	1935	22,165	508,687	3,059,030.70
<hr/>				
Total	1927	.....	1,109,447	\$5,340,091.31
	1930	.....	1,204,774	5,326,675.11
	1931	.....	908,922	5,080,519.45
	1932	28,641	754,828	4,324,421.03
	1933	30,405	803,009	4,694,332.53
	1934	35,242	883,666	5,198,253.67
	1935	38,155	1,001,099	5,725,892.34

GREAT NORTHERN RAILWAY

	Year	Cars	Tons	W. P. RR. Revenue
Received from G. N. Ry.	1931	.....	19,676	\$ 52,907.74
	1932	6,701	154,441	495,043.23
	1933	7,517	176,856	657,388.29
	1934	11,262	261,112	919,893.19
	1935	12,822	297,630	1,081,957.27
<hr/>				
Delivered to G. N. Ry.	1931	.....	14,741	\$ 36,543.14
	1932	3,625	101,165	340,963.64
	1933	4,536	125,148	450,276.45
	1934	8,604	222,116	758,014.23
	1935	7,869	194,932	661,780.86
<hr/>				
Total	1931	.....	34,417	\$ 89,450.88
	1932	10,326	255,606	836,006.87
	1933	12,053	302,004	1,107,664.74
	1934	19,866	483,228	1,677,907.42
	1935	20,691	492,562	1,743,738.13

1956

A. C. James Co. et al. vs.

(Testimony of J. F. Bon.)

OREGON SHORT LINE RAILROAD

	Year	Cars	Tons	W. P. RR. Revenue
Received from O.S.L. RR.....	1927	-----	30,841	\$ 174,154.49
	1930	-----	64,958	427,331.89
	1931	-----	48,649	307,711.76
	1932	2,369	53,023	297,794.47
	1933	2,293	44,311	272,627.11
	1934	1,245	24,026	162,758.80
	1935	1,598	29,953	191,099.01
Delivered to O.S.L. RR.....	1927	-----	35,821	\$ 147,917.59
	1930	-----	32,802	181,935.76
	1931	-----	34,275	173,279.16
	1932	1,418	31,084	186,443.96
	1933	855	20,532	139,495.58
	1934	868	24,246	197,045.23
	1935	1,100	27,584	213,973.48
Total	1927	-----	66,662	\$ 322,072.08
	1930	-----	97,760	609,267.65
	1931	-----	82,924	480,990.92
	1932	3,787	84,107	484,238.43
	1933	3,148	64,843	412,122.69
	1934	2,113	48,272	359,804.03
	1935	2,698	57,537	405,072.49

UNION PACIFIC RAILROAD

	Year	Cars	Tons	W. P. RR. Revenue
Received from U.P. RR.....	1927	-----	75,893	\$ 606,968.83
	1930	-----	103,981	901,991.21
	1931	-----	29,806	758,918.38
	1932	2,952	61,737	489,008.63
	1933	2,971	65,590	496,066.37
	1934	3,021	62,999	524,186.82
	1935	3,277	68,749	618,573.66

Institutional Bondholders et al.

1957

(Testimony of J. F. Bon.)

Delivered to U.P. RR.	1927	..... /	216,691	\$1,752,575.46
	1930	.....	231,469	1,890,815.95
	1931	.....	172,575	1,372,340.99
	1932	9,590	145,141	1,136,961.59
	1933	10,030	164,180	1,251,065.65
	1934	12,177	208,072	1,469,290.83
	1935	14,407	253,801	1,760,687.77
<hr/>				
Total	1927	.....	292,584	\$2,359,544.29
	1930	.....	335,450	2,792,807.16
	1931	.....	265,381	2,131,259.37
	1932	12,542	206,878	1,625,970.22
	1933	13,001	229,770	1,747,132.02
	1934	15,198	271,071	1,993,477.65
	1935	17,684	322,550	2,379,261.43

The Western Pacific Railroad Company
W. P. R. R. PASSENGER, MAIL, EXPRESS AND OTHER REVENUES
 AS INDICATED FOR YEARS 1923 TO 1935, INCLUSIVE.

ACCOUNT NUMBERS								
	102	103	106	107	131	132	108, 133, 134 and 136	
Year	Passenger	Excess Baggage	Mail	Express	Dining and Buffet	Hotel and Restaurant	Other Passenger Train Privileges Parcel-Room Storage-Baggage	TOTAL
1923	\$2,424,229.05	\$15,938.53	\$ 67,901.26	\$464,365.79	\$132,823.97	\$120,061.16	\$25,357.11	\$3,250,676.87
1924	2,082,199.76	11,951.13	64,513.51	453,300.13	128,262.97	115,811.41	35,097.67	2,891,136.58
1925	1,979,760.46	10,368.82	63,599.81	358,237.54	120,573.82	117,527.24	47,831.21	2,697,898.90
1926	1,851,026.66	9,756.71	63,990.26	318,899.68	118,241.96	113,156.94	40,827.38	2,515,899.59
1927	1,672,642.19	7,653.44	63,289.67	323,088.71	121,006.42	123,323.75	39,315.41	2,350,319.59
Average	\$2,001,971.62	\$11,133.73	\$ 64,658.90	\$383,578.37	\$124,181.83	\$117,976.10	\$37,685.76	\$2,741,186.31
1928	\$1,494,645.05	\$ 7,125.75	\$ 67,673.25	\$362,110.97	\$132,923.73	\$120,568.35	\$32,374.37	\$2,217,421.47
1929	1,370,103.71	6,551.25	105,087.78	381,594.63	141,657.01	102,011.14	28,822.94	2,135,828.46
1930	1,081,137.61	5,059.48	74,560.92	338,240.78	117,486.81	101,128.48	21,267.24	1,738,881.32
1931	772,731.63	4,348.72	68,641.18	259,820.85	90,808.15	83,474.65	8,267.39	1,288,092.57
1932	382,055.27	2,495.98	59,356.86	104,808.76	43,353.84	48,137.42	5,551.64	645,759.77
1933	279,937.17	1,655.07	49,332.05	44,869.32	29,004.20	27,241.48	1,919.95	433,959.24
1934	288,513.14	1,406.60	47,694.46	64,806.13	38,428.11	14,552.94	2,079.87	457,481.25
1935	371,757.70	1,614.25	46,377.01	76,424.80	46,851.98	14,070.56	2,719.26	559,815.56

1929 Mail revenue account 106, of \$105,087.78, includes payment of \$30,693.31 which is a 15% increase in mail rate granted by I. C. C. retroactive to July 24, 1925, and covering period to July 21, 1928, date of I. C. C. order.

Account 102, passenger revenue, includes Pullman surcharge earnings of \$1,077,261.00 for period January, 1923, to November 30th, inc., 1933.

Train Service: January 1, 1923, to April 23, inclusive, 1932, two trains were operated in each direction between San Francisco, California, and Salt Lake City, Utah.

April 24, 1932, to date, one train was operated in each direction between San Francisco, California, and Salt Lake City, Utah.

In addition to the above—

January 4, 1931, to August 29, inclusive, 1931, one train in each direction was operated between San Francisco, California, and Reno, Nevada.

April 24, 1932, to June 18, 1932, one train was operated in each direction between San Francisco, California, and Portola, California.

May 10, 1933, to July 8, 1933, one train was operated in each direction between San Francisco, California, and Portola, California.

Office of Vice Pres—Traffic
 San Francisco, California
 February 27, 1936

Statement No. 6

(Testimony of J. F. Bon.)

Institutional Bondholders et al.

1959

The Western Pacific Railroad Company
FORECAST OF PASSENGER, MAIL, EXPRESS AND OTHER REVENUES AS INDICATED

Account No.	Item or Account	1936	1937	1938	1939	1940
102	Passenger	\$ 464,696	\$ 806,015	\$1,007,517	\$1,511,265	\$1,209,020
103	Excess Baggage	2,323	4,030	5,037	7,556	6,045
106	Mail	46,400	62,408	68,641	68,641	68,641
107	Express	80,245	95,961	102,116	107,221	112,581
108	Other Passenger Train	1,782	2,227	2,782	4,173	3,338
131	Dining and Buffet	41,823	72,541	90,676	136,014	108,812
132	Hotel and Restaurant	15,477	17,024	18,726	20,598	22,657
133	Station, Train-Boat Privileges	1,147	1,434	1,792	2,688	2,150
134	Parcel Room	167	290	363	544	435
136	Storage-Baggage	650	1,128	1,410	2,115	1,693
	Total	\$ 654,710	\$1,063,058	\$1,299,060	\$1,860,815	\$1,535,372

Office of Vice Pres.—Traffic
San Francisco, Calif.
February 27, 1936

1960

A. C. James Co. et al. vs.

(Testimony of J. F. Bon.)

Statement No. 7

The Western Pacific Railroad Company**BASIS FOR FORECAST OF PASSENGER,
MAIL, EXPRESS AND OTHER REVENUES
AS INDICATED.**

It is believed there will be a substantial increase in passenger travel during the next five years because of improved economic conditions and air-conditioning and improvement in passenger equipment. Special consideration has been given to what the passenger traffic will be during the year 1939, during which year there will be an Exposition in San Francisco.

This forecast is also predicated on the inauguration by the Western Pacific Railroad of an additional passenger train in each direction between San Francisco, California, and Salt Lake City, Utah, effective May 1, 1937, scheduled through the Feather River Canyon in each direction during daylight hours.

**ACCOUNT No. 102
PASSENGER REVENUE**

Year	Basis for Forecast
1936	Increased 25% over year 1935.
1937	Forecast is predicated on one additional train in each direction between San Francisco and Salt Lake City effective May 1, 1937, and based on 25% increase over year 1936. Revenue, divided between trains, is as follows:
	Trains 1 and 2.....\$534,169.00—8 month period
	Trains 3 and 4.....271,846.00
	<hr/> Total .....\$806,015.00

Institutional Bondholders et al. 1961

(Testimony of J. F. Bon.)

1938 25% increase over year 1937, predicated on two trains in each direction between San Francisco and Salt Lake City.

1939 San Francisco Exposition year. 50% increase over year 1938, on basis of operation of two trains in each direction between San Francisco and Salt Lake City.

1940 20% increase over year 1938, on basis of operation of two passenger trains in each direction between San Francisco and Salt Lake City.

Account No.	Item or Account	Basis for Forecast
103	Excess Baggage	Excess baggage figures based on relation of excess baggage revenue to passenger revenue, using years 1926 to 1935, incl., which was approximately .005%.
106	Mail	<p>Year 1936 same as year 1935.</p> <p>Year 1937 estimate predicated on one additional train in each direction between San Francisco and Salt Lake City effective May 1, 1937. Estimate based on 1931 earnings, less revenue accruing to Trains 1 and 2 during period January to April, inclusive, 1931.</p> <p>Years 1938, 1939 and 1940 same as year 1931.</p>
107	Express	<p>Year 1936. An increase of 5% over year 1935.</p> <p>Year 1937. An increase of 5% over 1936, plus \$11,704.00 for additional express handled on second train for eight months' period May 1 to December 31, 1937. This \$11,704.00 is approximately the amount of revenue derived from express handled on Trains 1 and 2 during period May to December, inclusive, 1931.</p> <p>Year 1938. An increase of 5% over 1937, plus \$1,357.00 for months January to April, inclusive, 1938, which was approximately the amount of revenue accruing to Trains 1 and 2 during these months in 1931, plus 5%.</p> <p>Year 1939. An increase of 5% over year 1938.</p> <p>Year 1940. An increase of 5% over year 1939.</p>

1962

A. C. James Co. et al. vs.

(Testimony of J. F. Bon.)

Account No.	Item or Account	Basis for Forecast
108	Other Passenger Train Revenues	This account includes Pullman car earnings, miscellaneous revenue from tickets reported by foreign lines but not honored on our trains, and checking of baby carriages, golf bags, bicycles and other items not chargeable to other accounts. Year 1936. An increase of 25% over preceding year. Year 1937. An increase of 25% over preceding year. Year 1938. An increase of 25% over preceding year. Year 1939. An increase of 50% over preceding year. Year 1940. An increase of 20% over year 1928.
131	Dining and Buffet	Revenue figures based on relation of dining and buffet revenue to passenger revenue, using years 1926 to 1935, inclusive, which was approximately 11%.
132	Hotel and Restaurant	10% over each preceding year.
133	Station, Train and Boat Privileges	Year 1936. 25% over preceding year. Year 1937. 25% over preceding year. Year 1938. 25% over preceding year. Year 1939. 50% over preceding year. Year 1940. 20% over year 1928.
134	Parcel Room	Parcel room figures based on relation of parcel room revenue to passenger revenue, using years 1926 to 1935, inclusive, which was approximately .00036%.
136	Storage-Baggage	Storage-baggage figures based on relation of storage-baggage revenue to passenger revenue, using years 1926 to 1935, inclusive, which was approximately .0014%.

Statement No. 8

**FREIGHT TRAFFIC MOVED VIA WESTERN PACIFIC RAILROAD
NORTHERN CALIFORNIA EXTENSION AND WESTERN PACIFIC
RAILROAD REVENUE DERIVED THEREFROM.**

Commodity	Year	Cars	Tons	W.P. R.R. Revenue	W.P. R.R. Revenue Per Ton	Percentage Change with Respect to		
						1932 Revenue	Preceding Year Tons	Preceding Year Revenue
Products of Agriculture (18.8%)	1932	2,798	52,410	\$ 189,635.	\$ 3.62			
	1933	2,931	54,222	226,663.	4.18	+ 19.5	+ 3.5	+ 19.5
	1934	5,164	95,450	379,376.	3.96	+ 99.5	+ 76.0	+ 66.9
	1935	5,765	108,305	432,926.	4.00	+128.3	+ 13.5	+ 14.4
Animals and Products (4.3%)	1932	1,577	20,609	\$ 96,171.	\$ 4.67			
	1933	1,282	17,182	96,327.	5.61	+ 0.2	- 16.6	+ 0.2
	1934	1,576	20,994	112,809.	5.37	+ 17.3	+ 22.2	+ 17.1
	1935	1,470	19,101	98,367.	5.15	+ 2.3	- 9.0	- 12.8
Products of Mines (7.5%)	1932	1,072	43,102	\$ 104,287.	\$ 2.42			
	1933	1,396	57,793	146,079.	2.53	+ 40.1	+ 34.1	+ 40.1
	1934	1,238	51,783	126,737.	2.45	+ 21.5	- 10.4	- 13.2
	1935	1,690	71,724	170,704.	2.38	+ 63.7	+ 38.5	+ 34.7
Products of Forests (42.0%)	1932	6,143	160,114	\$ 434,423.	\$ 2.71			
	1933	7,652	188,958	651,270.	3.45	+ 49.9	+ 18.2	+ 49.9
	1934	9,381	230,958	757,171.	3.28	+ 74.3	+ 22.2	+ 16.3
	1935	11,515	293,330	961,021.	3.28	+121.2	+ 27.8	+ 26.9
Manufactures and Miscellaneous (22.9%)	1932	2,169	59,611	\$ 225,692.	\$ 3.79			
	1933	2,745	73,491	309,885.	4.22	+ 37.3	+ 23.3	+ 37.3
	1934	7,194	184,703	624,697.	3.38	+176.8	+151.3	+101.6
	1935	6,048	137,716	523,555.	3.80	+132.0	- 25.4	- 16.2
Less Than Carload (4.5%)	1932	—	4,261	\$ 47,808.	\$11.22			
	1933	—	5,216	61,242.	11.74	+ 28.1	+ 22.4	+ 28.1
	1934	—	12,490	119,637.	9.58	+150.2	+139.5	+ 95.4
	1935	—	9,804	103,285.	10.53	+116.0	- 21.5	- 13.7
Total	1932	13,759	340,107	\$1,098,016.	\$ 3.23			
	1933	16,006	396,862	1,491,466.	3.76	+ 35.8	+ 16.7	+ 35.8
	1934	24,553	596,378	2,119,427.	3.55	+ 93.0	+ 50.3	+ 42.1
	1935	26,488	639,980	2,289,858.	3.58	+108.5	+ 7.3	+ 8.0

Bracketed figures represent percentage of revenue for 1935 which the revenue for that group bears to the total.

Office of Vice Pres.—Traffic
San Francisco, California
February 27, 1936

The Western Pacific Railroad Company
W.P. R.R. FREIGHT TRAFFIC AND FREIGHT REVENUE
 (Account No. 101)

(Does not include any traffic handled or revenue thereof:

(1) Under Chico-Weso Bridge Agreements.

(2) Via Northern California Extension, years 1932 to 1935, inclusive.)

Commodity	Year	Cars	Tons	W.P. R.R. Revenue	W.P. R.R. Revenue Per Ton	Percent of Increase or Decrease over or under preceding year	
						Tons	Revenue
	1923	19,540	396,631	\$2,193,048.	\$5.53	—	—
	1924	21,630	424,566	2,283,850.	5.38	+ 7.0	+ 4.1
	1925	24,666	482,261	2,516,389.	5.21	+13.6	+10.2
	1926	27,408	516,714	2,739,314.	5.30	+ 7.1	+ 8.9
	1927	27,944	517,408	2,908,301.62	5.62	+ 0.1	+ 6.2
Products of Agriculture		Average	24,238	467,516	\$2,528,181.	\$5.41	
	1928	31,970	592,495	\$3,309,023.	\$5.58	+14.5	+13.8
	1929	31,099	588,217	3,013,607.	5.12	— 0.7	— 8.9
	1930	45,256	915,974	4,129,420.	4.51	+55.7	+37.0
	1931	35,967	770,288	3,094,794.	4.02	—15.9	—25.1
	1932	32,693	679,776	2,877,199.	4.23	—11.8	— 7.0
	1933	33,277	727,787	2,675,679.	3.68	+ 7.1	— 7.0
	1934	36,222	789,591	2,980,986.	3.78	+ 8.5	+11.4
	1935	33,997	696,549	2,975,200.	4.27	—11.8	— 0.2
	1923	5,254	64,207	\$ 534,641.	\$8.32	—	—
	1924	6,203	73,753	581,501.	7.88	+14.9	+ 8.8
	1925	6,611	77,742	655,723.	8.44	+ 5.4	+12.8
	1926	5,808	72,583	596,113.	8.21	— 6.6	— 9.1
	1927	5,853	77,158	572,305.78	7.42	+ 6.3	— 4.0
Animals and Products		Average	5,946	73,089	\$ 588,057.	\$8.05	
	1928	6,824	84,224	\$ 687,427.	\$8.16	+ 9.2	+20.1
	1929	6,855	85,516	704,396.	8.24	+ 1.5	+ 2.5
	1930	6,565	96,484	734,417.	7.61	+12.8	+ 4.3
	1931	6,565	96,935	724,609.	7.48	+ 0.5	— 1.3
	1932	5,599	73,465	552,583.	7.52	—24.2	—23.7
	1933	5,091	69,293	531,757.	7.67	— 5.7	— 3.8
	1934	7,043	88,616	623,015.	7.03	+27.9	+17.2
	1935	5,410	70,457	480,130.	6.81	—20.5	—22.9
	1923	27,813	1,278,309	\$2,766,362.	\$2.16	—	—

Commodity	Year	Cars	Tons	W. P. M. R. Revenue	Revenue Per Ton	Year	Revenue
	1923	19,540	396,631	\$2,193,048.	\$5.53	—	—
	1924	21,630	424,566	2,283,850.	5.38	+ 7.0	+ 4.1
	1925	24,666	482,261	2,516,389.	5.21	+13.6	+10.2
	1926	27,408	516,714	2,739,314.	5.30	+ 7.1	+ 8.9
	1927	27,944	517,408	2,903,301.62	5.62	+ 0.1	+ 6.2
Products of Agriculture	Average	24,238	467,516	\$2,528,181.	\$5.41		
	1928	31,970	592,495	\$3,309,023.	\$5.58	+14.5	+13.8
	1929	31,099	588,217	3,013,607.	5.12	— 0.7	— 8.9
	1930	45,256	915,974	4,129,420.	4.51	+55.7	+37.0
	1931	35,967	770,288	3,094,794.	4.02	—15.9	—25.1
	1932	32,693	679,776	2,877,199.	4.23	—11.8	— 7.0
	1933	33,277	727,787	2,675,679.	3.68	+ 7.1	— 7.0
	1934	36,222	789,591	2,980,986.	3.78	+ 8.5	+11.4
	1935	33,997	696,549	2,975,200.	4.27	—11.8	— 0.2
	1923	5,254	64,207	\$ 534,641.	\$8.32	—	—
	1924	6,203	73,753	581,501.	7.88	+14.9	+ 8.8
	1925	6,611	77,742	655,723.	8.44	+ 5.4	+12.8
	1926	5,808	72,583	596,113.	8.21	— 6.6	— 9.1
	1927	5,853	77,158	572,305.78	7.42	+ 6.3	— 4.0
Animals and Products	Average	5,946	73,089	\$ 588,057.	\$8.05		
	1928	6,824	84,224	\$ 687,427.	\$8.16	+ 9.2	+20.1
	1929	6,855	85,516	704,396.	8.24	+ 1.5	+ 2.5
	1930	6,565	96,484	734,417.	7.61	+12.8	+ 4.3
	1931	6,565	96,935	724,809.	7.48	+ 0.5	— 1.3
	1932	5,599	73,465	552,583.	7.52	—24.2	—23.7
	1933	5,091	69,293	531,757.	7.67	— 5.7	— 3.8
	1934	7,043	88,616	623,015.	7.03	+27.9	+17.2
	1935	5,410	70,457	480,130.	6.81	—20.5	—22.9
	1923	27,813	1,278,309	\$2,766,362.	\$2.16	—	—
	1924	26,987	1,232,685	2,477,913.	2.01	— 3.6	—10.4
	1925	27,455	1,229,888	2,465,147.	2.00	— 0.2	— 0.5
	1926	25,571	1,157,813	2,240,403.	1.94	— 5.9	— 9.1
	1927	29,353	1,356,857	2,453,642.29	1.81	+17.2	+ 9.5
Products of Mines	Average	27,436	1,251,110	\$2,480,693.	\$1.98		
	1928	27,994	1,290,817	\$2,203,089.	\$1.71	— 4.9	—10.2
	1929	28,975	1,359,427	2,539,154.	1.87	+ 5.3	+15.3
	1930	27,773	1,331,107	1,875,567.	1.41	— 2.1	—26.1
	1931	21,833	1,038,477	1,497,062.	1.44	—22.0	—20.2
	1932	15,810	722,435	1,184,721.	1.64	—30.4	—20.9
	1933	13,964	668,791	958,995.	1.43	— 7.4	—19.1
	1934	15,393	772,341	887,145.	1.15	+15.5	— 7.5
	1935	13,634	647,819	1,061,970.	1.64	—16.1	+19.7

1964

Office of Vice Pres.—Traffic
San Francisco, California
February 27, 1936

Commodity	Year	Cars	Tons	W.P. R.R. Revenue	W.P. R.R. Revenue Per Ton	Percentage Change with Respect to	
						1932 Revenue	Preceding Year Revenue
Products of Forest	1923	20,857	519,181	\$ 991,239.	\$ 1.91	—	—
	1924	16,301	384,775	946,797.	2.46	-25.9	-4.5
	1925	23,069	527,030	1,164,987.	2.21	+37.0	+23.0
	1926	25,705	609,837	1,243,445.	2.04	+15.7	+6.7
	1927	21,685	517,326	1,186,820.47	2.29	-15.2	-4.6
	Average	21,523	511,639	\$1,106,658.	\$ 2.16		
	1928	12,565	309,551	\$ 968,476.	\$ 3.13	-40.2	-18.4
	1929	11,467	281,911	825,256.	2.93	-8.9	-14.8
	1930	10,052	246,348	644,030.	2.61	-12.6	-22.0
	1931	8,549	203,923	540,387.	2.65	-17.2	-16.1
Manufactures and Miscellaneous	1932	5,680	129,969	351,397.	2.70	-36.3	-35.0
	1933	4,835	111,832	331,880.	2.97	-14.0	+5.6
	1934	4,498	105,799	294,274.	2.78	+5.4	-11.3
	1935	5,638	134,289	384,978.	2.87	+26.9	+30.8
	1923	23,067	558,815	\$3,233,928.	\$ 5.79	—	—
	1924	27,176	679,043	3,469,936.	5.11	+21.5	+7.3
	1925	31,832	815,670	4,044,033.	4.96	+20.1	+16.5
	1926	36,053	899,117	4,488,977.	5.00	+10.2	+11.0
	1927	36,236	943,841	4,599,299.83	4.87	+5.0	+2.5
	Average	30,873	779,297	\$3,967,235.	\$ 5.09		
	1928	44,757	1,215,833	\$5,682,542.	\$ 4.67	+28.8	+23.6
	1929	45,785	1,228,686	6,116,827.	4.98	+1.1	+7.6
	1930	41,596	1,121,948	5,445,472.	4.85	-8.7	-11.0
	1931	33,407	908,790	4,346,344.	4.78	-19.0	-20.2
	1932	23,767	681,691	2,858,679.	4.19	-26.0	-34.2
	1933	26,790	743,624	3,413,385.	4.59	+9.1	+19.4
	1934	29,959	815,518	3,759,790.	4.61	+9.7	+10.1
	1935	34,223	890,977	4,380,713.	4.92	+9.3	+16.5
	1923		57,965	\$ 794,237.	\$13.70	—	—
	1924		59,780	802,343.	13.42	+3.1	+1.0
	1925		65,623	890,155.	13.56	+9.8	+10.9
	1926		70,573	943,937.	13.38	+7.5	+6.0
	1927		74,078	977,615.08	13.20	+5.0	+3.6
	Average		65,604	\$ 991,657	\$13.44		

	1924	27,176	679,043	3,469,936.	5.11	+21.5	+ 7.3
	1925	31,832	815,670	4,044,033.	4.96	+20.1	+16.5
	1926	36,053	899,117	4,488,977.	5.00	+10.2	+11.0
	1927	36,236	943,841	4,599,299.83	4.87	+ 5.0	+ 2.5
Manufactures and Miscellaneous	Average	30,873	779,297	\$3,967,235.	\$ 5.09		
	1928	44,757	1,215,833	\$5,682,542.	\$ 4.67	+28.8	+23.6
	1929	45,785	1,228,686	6,116,827.	4.98	+ 1.1	+ 7.6
	1930	41,596	1,121,948	5,445,472.	4.85	- 8.7	-11.0
	1931	33,407	908,790	4,346,344.	4.78	-19.0	-20.2
	1932	23,767	681,691	2,858,679.	4.19	-25.0	-34.2
	1933	26,790	743,624	3,413,385.	4.59	+ 9.1	+19.4
	1934	29,959	815,518	3,759,790.	4.61	+ 9.7	+10.1
	1935	34,223	890,977	4,380,713.	4.92	+ 9.3	+16.5
	1923		57,965	\$ 794,237.	\$13.70	-	-
	1924		59,780	802,343.	13.42	+ 3.1	+ 1.0
	1925		65,623	890,155.	13.56	+ 9.8	+10.9
	1926		70,573	943,937.	13.38	+ 7.5	+ 6.0
	1927		74,078	977,615.08	13.20	+ 5.0	+ 3.6
L. C. L.	Average		65,604	\$ 881,657.	\$13.44		
	1928		74,878	\$1,037,396.	\$13.85	+ 1.1	+ 6.1
	1929		73,170	1,088,010.	14.87	- 2.3	+ 4.9
	1930		64,185	967,219.	15.07	-12.3	-11.1
	1931		52,164	875,695.	16.79	-18.7	- 9.5
	1932		43,169	733,630.	16.99	-17.2	-16.2
	1933		38,483	608,619.	15.82	-10.9	-17.0
	1934		44,317	627,905.	14.17	+15.2	+ 3.2
	1935		49,182	627,395.	12.76	+11.0	- 0.1
	1923	96,531	2,875,108	\$10,513,455.	\$ 3.66	-	-
	1924	98,297	2,854,602	10,562,340.	3.69	- 0.7	+ 0.5
	1925	113,633	3,198,214	11,736,434.	3.67	+12.0	+11.1
	1926	120,545	3,326,637	12,252,189.	3.68	+ 4.0	+ 4.4
	1927	121,071	3,486,668	12,697,985.07	3.64	+ 4.8	+ 3.6
Total	Average	110,016	3,148,246	\$11,552,481.	\$ 3.67		
	1928	124,110	3,567,798	\$13,887,953.	\$ 3.89	+ 2.3	+ 9.4
	1929	124,181	3,616,927	14,287,250.	3.95	+ 1.4	+ 2.9
	1930	131,242	3,776,046	13,796,125.	3.65	+ 4.4	- 3.4
	1931	106,321	3,070,577	11,078,891.	3.61	-18.7	-19.7
	1932	83,549	2,330,505	8,558,209.	3.67	-24.1	-22.8
	1933	83,957	2,359,810	8,520,315.	3.61	+ 1.3	- 0.4
	1934	93,115	2,616,182	9,173,115.	3.51	+10.9	+ 7.7
	1935	92,902	2,489,273	9,910,386.	3.98	- 4.9	+ 8.0
	1923						

Note: Years prior to 1928 did not show any adjustments or absorptions from Gross. Absorptions and Adjustments for 1928 and subsequent years have been distributed over the various commodity groups by the ratio which the revenue for the group bears to the total revenue before absorptions. Adjustments of cars and tons accruing in 1933 have been similarly distributed on the basis of cars and tons.

(Testimony of J. F. Bon.)

Statement No. 10

The Western Pacific Railroad Company

STATEMENT SHOWING
WESTERN PACIFIC RAILROAD FREIGHT REVENUE

Year	Derived from traffic moved via Northern California Extension	Derived from other traffic	Total	Percent of increase over or decrease under pre- ceding year
1920		\$12,028,916.73	\$12,028,916.73	
1921		8,974,264.48	8,974,264.48	-25.4
1922		9,476,588.20	9,476,588.20	+ 5.6
1923		10,513,455.48	10,513,455.48	+10.9
1924		10,562,339.95*	10,562,339.95*	+ 0.5
1925		11,736,434.28*	11,736,434.28*	+11.1
1926		12,252,189.30*	12,252,189.30*	+ 4.4
1927		12,697,985.07*	12,697,985.07*	+ 3.6
1928		13,887,952.88*	13,887,952.88*	+ 9.4
1929		14,287,249.85*	14,287,249.85*	+ 2.9
1930		13,796,124.97*	13,796,124.97*	- 3.4
1931		11,078,890.99*	11,078,890.99*	-19.7
1932	\$1,098,015.00	8,558,209.00	9,656,224.00	-12.8
1933	1,491,466.00	8,520,315.00	10,011,781.00	+ 3.7
1934	2,119,427.00	9,173,114.00	11,292,541.00	+12.8
1935	2,289,858.00	9,910,387.00	12,200,245.00	+ 8.0

*Revenues earned for handling Chico-Weso Bridge traffic for Southern Pacific have been deducted.

1968

A. C. James Co. et al. vs.

(Testimony of J. F. Bon.)

Statement No. 11

The Western Pacific Railroad Company

WESTERN PACIFIC RAILROAD FREIGHT REVENUES

Month	Year 1928	Year 1929	
		Revenue	% Increase or Decrease over or under 1928
January	\$ 906,931.81	\$1,068,347.16	+17.8
February	818,500.88	924,851.78	+13.0
March	880,049.11	1,093,917.06	+24.3
April	913,143.75	1,097,590.10	+20.2
May	993,742.16	1,118,626.89	+12.6
June	939,669.23	971,898.21	+ 3.4
July	1,195,890.16	1,115,538.38	- 6.7
August	1,217,129.40	1,295,733.43	+ 6.5
September	1,658,963.96	1,517,619.88	- 8.5
October	1,898,399.94	1,783,823.11	- 6.0
November	1,280,228.56	1,193,567.73	- 6.8
December	1,185,225.92	1,105,736.12	- 6.7
Year	\$13,887,952.88	\$14,287,249.85	+ 2.9

Period	Revenue	Percent of Change
Increase Over Same 1928 Period		
First six months of 1929	\$ 6,275,231.20	15.1
Increase Over Same 1929 Period		
Last six months of 1928	\$ 8,435,837.94	5.3
Total	\$14,711,069.14	

No revenue derived from Chico-Weso Bridge service is included in these figures.

Office of Vice Pres.—Traffic

(Testimony of J. E. Bon.)

Statement No. 12

The Western Pacific Railroad Company

FORECAST OF REVENUE TO BE DERIVED FROM FREIGHT
(ACCOUNT No. 101) BY W. P. RR. FOR YEARS 1936 TO
1940, INCLUSIVE.

	Year	Traffic Moved Via	Revenue
Products of Agriculture	1936	N. C. E.	\$ 476,219.00
		Remainder of System	2,975,200.00
		Total	3,451,419.00
	1937	N. C. E.	562,803.00
		Remainder of System	1,123,960.00
		Total	3,686,763.00
	1938	N. C. E.	649,389.00
		Remainder of System	3,272,720.00
		Total	3,922,109.00
	1939	N. C. E.	714,328.00
		Remainder of System	3,421,480.00
		Total	4,135,808.00
	1940	N. C. E.	779,267.00
		Remainder of System	3,719,000.00
		Total	4,498,267.00
Animals and Products	1936	N. C. E.	\$ 100,367.00
		Remainder of System	480,130.00
		Total	580,497.00
	1937	N. C. E.	102,367.00
		Remainder of System	504,136.00
		Total	606,503.00
	1938	N. C. E.	104,367.00
		Remainder of System	528,142.00
		Total	632,509.00

N. C. E. means Northern California Extension of Western Pacific Railroad, extending from Keddie to Bieber, Calif., a distance of 113.5 miles.

1970

A. C. James Co. et al. vs.

(Testimony of J. F. Bon.)

	1939	N. C. E.	106,367.00
		Remainder of System	552,148.00
		Total	658,515.00
	1940	N. C. E.	108,367.00
		Remainder of System	600,161.00
		Total	708,528.00
Products of Mines	1936	N. C. E.	\$ 179,239.00
		Remainder of System	1,088,519.00
		Total	1,267,758.00
	1937	N. C. E.	196,309.00
		Remainder of System	1,141,617.00
		Total	1,337,926.00
	1938	N. C. E.	213,379.00
		Remainder of System	1,194,715.00
		Total	1,408,094.00
	1939	N. C. E.	230,449.00
		Remainder of System	1,274,362.00
		Total	1,504,811.00
	1940	N. C. E.	256,055.00
		Remainder of System	1,380,559.00
		Total	1,636,614.00
*Products of Forest	1936	N. C. E.	\$ 1,105,174.00
		Remainder of System	423,476.00
		Total	1,528,650.00
	1937	N. C. E.	1,297,378.00
		Remainder of System	500,472.00
		Total	1,797,850.00
	1938	N. C. E.	1,489,582.00
		Remainder of System	577,468.00
		Total	2,067,050.00

N. C. E. means Northern California Extension of Western Pacific Railroad, extending from Keddie to Bieber, Calif., a distance of 113.5 miles.

(Testimony of J. F. Bon.)

	Year	Traffic Moved Via	Revenue
Manufactures and Miscellaneous	1939	N. C. E.	1,686,786.00
		Remainder of System	635,215.00
		Total	2,322,001.00
	1940	N. C. E.	1,825,939.00
		Remainder of System	692,962.00
		Total	2,518,901.00
	1936	N. C. E.	\$ 575,912.00
		Remainder of System	4,490,231.00
		Total	5,066,143.00
	1937	N. C. E.	680,624.00
		Remainder of System	4,928,302.00
		Total	5,608,926.00
	1938	N. C. E.	795,336.00
		Remainder of System	5,366,373.00
		Total	6,161,709.00
	1939	N. C. E.	906,048.00
		Remainder of System	5,913,962.00
		Total	6,820,010.00
L. C. L.	1940	N. C. E.	1,005,760.00
		Remainder of System	6,571,069.00
		Total	7,576,829.00
	1936	N. C. E.	\$ 113,613.00
		Remainder of System	627,395.00
		Total	741,008.00
	1937	N. C. E.	134,269.00
		Remainder of System	658,765.00
		Total	793,034.00
	1938	N. C. E.	154,925.00
		Remainder of System	690,135.00
		Total	845,060.00

1972

A. C. James Co. et al. vs.

(Testimony of J. F. Bon.)

	Year	Traffic Moved Via	Revenue
	1939	N. C. E.	175,581.00
		Remainder of System	721,505.00
		Total	897,086.00
	1940	N. C. E.	196,237.00
		Remainder of System	784,245.00
		Total	980,482.00
Total	1936	N. C. E.	\$ 2,550,524.00
		Remainder of System	10,084,951.00
		Total	12,635,475.00
	1937	N. C. E.	2,973,750.00
		Remainder of System	10,857,252.00
		Total	13,831,002.00
	1938	N. C. E.	3,406,978.00
		Remainder of System	11,629,553.00
		Total	15,036,531.00
	1939	N. C. E.	3,819,559.00
		Remainder of System	12,518,672.00
		Total	16,338,231.00
	1940	N. C. E.	4,171,625.00
		Remainder of System	13,747,996.00
		Total	17,919,621.00

N. C. E. means Northern California Extension of Western Pacific Railroad, extending from Keddie to Bieber, Calif., distance of 113.5 miles.

Office of Vice Pres.—Traffic
 San Francisco, California
 February 27, 1936.

(Testimony of J. F. Bon.)

Statement No. 13

The Western Pacific Railroad Company

STATEMENT INDICATING FOLLOWING FREIGHT REVENUES OF WESTERN PACIFIC RAILROAD (EXCEPT NORTHERN CALIFORNIA EXTENSION):

Forecast for Year 1940 vs. Average for Years 1923 to 1927, Incl.; Average for Years 1926 and 1927; High Year Since 1926.

	Forecast for 1940	Average for Years 1923 to 1927, inclusive	Average for Years 1926 and 1927	High Year Since 1926
Agriculture	\$ 3,719,000	\$ 2,528,181	\$ 2,823,807	\$ 4,129,420 — 1930
Animals	600,161	588,057	584,209	734,417 — 1930
Mines	1,380,559	2,480,693	2,347,022	2,539,154 — 1929
Forest	692,962	1,106,658	1,215,137	1,186,820 — 1927
Manufactures and Miscellaneous	6,571,069	3,967,235	4,544,638	6,116,827 — 1929
L. C. L.	784,245	881,657	960,771	1,088,010 — 1929
Total	\$13,747,996	\$11,552,481	\$12,475,087	\$14,287,250 — 1929

Office of Vice. Pres.—Traffic
 San Francisco, Calif.
 March 11th, 1936.

The Western Pacific Railroad Company
**FORECAST OF RAILWAY OPERATING REVENUE
 FOR YEARS 1936 TO 1940, INCLUSIVE**

Account No.	Item or Account	YEARS				
		1936	1937	1938	1939	1940
101	Freight	\$12,635,475	\$13,831,002	\$15,036,531	\$16,338,231	\$17,919,621
102	Passenger	\$ 464,696	\$ 806,015	\$ 1,007,517	\$ 1,511,265	\$ 1,209,020
103	Excess Baggage	2,323	4,030	5,037	7,556	6,045
106	Mail	46,400	62,408	68,641	68,641	68,641
107	Express	80,245	95,961	102,116	107,221	112,581
108	Other Passenger Train	1,782	2,227	2,782	4,173	3,338
131	Dining and Buffet	41,823	72,541	90,676	136,014	108,812
	Total Passenger Train Revenues	\$ 637,269	\$ 1,043,182	\$ 1,276,769	\$ 1,834,870	\$ 1,508,437
110	Switching	\$ 101,083	\$ 110,648	\$ 120,292	\$ 130,705	\$ 143,356
115	Water Transfers	—	—	—	—	—
	Total Other Train Revenues	\$ 101,083	\$ 110,648	\$ 120,292	\$ 130,705	\$ 143,356
	Total Transportation Revenues	\$13,373,827	\$14,984,832	\$16,433,592	\$18,303,806	\$19,571,414
132	Hotel and Restaurant	\$ 15,477	\$ 17,024	\$ 18,726	\$ 20,598	\$ 22,657
133	Station, Train and Boat Privileges	1,147	1,434	1,792	2,688	2,150
134	Parcel Room	167	290	363	544	435
135	Storage—Freight	660	660	660	660	660
136	Storage—Baggage	650	1,128	1,410	2,115	1,693
137	Demurrage	11,453	11,453	11,453	11,453	11,453
142	Rents of Buildings and Other Property	7,382	7,382	7,382	7,382	7,382
143	Miscellaneous	23,192	25,344	27,814	29,857	32,704
	Total Incidental Revenues	\$ 60,128	\$ 64,715	\$ 69,600	\$ 75,297	\$ 79,134
151	& Joint Facility—Credit	\$ 4,387	\$ 4,387	\$ 4,387	\$ 4,387	\$ 4,387
152						
	Total Railway Operating Revenues	\$13,438,342	\$15,053,934	\$16,507,579	\$18,383,490	\$19,654,935

Office of Vice Pres.—Traffic
 San Francisco, California
 February 27, 1936

[Endorsed]: Finance Docket 10913. Exhibit No. 27. Witness: J. F. Bon. Filed Mar. 23, 1936.

(Testimony of J. F. Bon.)

Mr. Nicodemus: The witness may be cross-examined.

Cross Examination

Mr. Swaine: I have only one question.

Q. (By Mr. Swaine) Have you prepared, or have you had prepared, an exhibit comparable to Exhibit No. 22 and statement No. 14 of this last exhibit on the consolidated basis instead of on the Western Pacific alone?

A. Eventually— [1860]

Mr. Nicodemus: (Interposing) I think that will require some time.

Mr. Swaine: What can you do to show the real picture?

Mr. Nicodemus: To what extent would you like this—revenues from certain subsidiaries shown?

Mr. Swaine: Whatever the examiner thinks necessary; knowing much better the accounting practices, he will know what is necessary to complete the picture. My feeling is that this is only a part of the picture. We ought to have whatever is essential to the evidence as a whole. I do not see that it does much good to have a forecast of what the earnings of a part of the system will be unless you know what the rest of them will be.

Mr. Nicodemus: I will discuss that with the accounting officers, and see what can be developed.

Mr. Swaine: Very well.

Examiner Boyden: Off the record.

(Discussion off the record ensued.)

(Testimony of J. F. Bon.)

Examiner Boyden: Mr. Nicodemus, how long would it take you to prepare a system exhibit such as No. 22, and statement 14?

Mr. Nicodemus: I will have to refer that to Mr. Degraff.

Mr. Degraff: A minimum of two weeks after we return to San Francisco. [1861]

Mr. Nicodemus: A minimum of two weeks after they return to San Francisco—I was trying to avoid any delay in the submission of this to the Commission.

Mr. Swaine: I am entirely in sympathy with that proposition.

Mr. Nicodemus: If Mr. Swaine thinks the exhibit is deficient, we will have to meet his view.

Mr. Swaine: I ask you if you don't think so, too.

Mr. Nicodemus: I don't think it varies in that exhibit more than 5 per cent.

Mr. Engelbright: It would be pretty minor.

Mr. Nicodemus: It would be almost negligible.

Mr. Degraff: One of the roads would about break even, and the other would show a little profit. I honestly cannot change the thing very materially.

Mr. Nicodemus: I think the result would be negligible and the amount of delay would be considerable and undesirable.

Q. (By Examiner Boyden) Which other two properties would affect the result?

A. The Sacramento Northern and the Tidewater Southern.

(Testimony of J. F. Bon.)

Q. What is the gross, approximately, of the Sacramento Northern?

A. I don't want to guess at it.

Examiner Boyden: Off the record [1862].

(Discussion off the record ensued.)

Mr. Nicodemus: We will undertake to get that; I don't know how long it will take.

Examiner Boyden: Let us have them as soon as you can prepare them.

Q. (By Examiner Boyden) What relationship is there between your total railway operating revenues estimated for 1936 and those for 1935? In other words, what is the total increase in percentage?

A. I don't have that for the total revenues; I have it for the freight, which is the main revenue.

Q. What is it for the freight?

A. 1936, the freight revenue is 103.6 per cent of that for 1935.

Q. What is the estimate for 1937, with respect to 1935?

A. 1937 with respect to 1935, is 113.3 per cent.

Q. What is it for 1938?

A. 1938, with respect to 1935, it is 123.2 per cent.

Q. What is it for 1939?

A. 1939, with respect to 1935, it is 133.9 per cent, and for 1940, with respect to 1935, it is 146.8 per cent.

Q. What is the fundamental basis for your estimated increase in traffic each year?

(Testimony of J. F. Bon.)

A. As a whole? [1863]

Q. Yes.

A. I studied our past situation, and based the forecast on improvement in conditions and improvement in our own position.

Q. What do you mean by improvement in your own position?

A. We are bettering our position by the location of industries—the Northern California extension has helped us out in ways other than freight that moves over that line—the location of industries and plants.

Heretofore, when a plant was located on our rails, it was at a disadvantage because it could not ship to or from the northwest without the payment of an additional switching charge, whereas if it was located on one of our competitors' rails, it was that much better off. Some of the territory of our subsidiaries is coming into better production.

The Tidewater Southern Railway is delivering to us today about as many carloads of grapes going to the East as they did when the movement was approximately 70,000 cars a year. There is a movement today of about half that.

Q. Then, your estimate is based on an assumed improvement in business conditions which will develop, and a certain assumed amount of additional traffic?

A. Yes, sir; and I think business conditions will continue [1864] to improve.

Q. How much of the additional business will the railroads move?

(Testimony of J. F. Bon.)

A. I did not get that close.

Q. That is what I am trying to find out.

A. I could not do that. My forecast was made on the improvement of conditions, betterment of our position, and my informed judgment.

Q. What do you use as a basis for determining what the increase in revenues would be on a certain increase in business conditions?

A. I did this by groups of commodities. I studied our past performance and included a certain group of commodities and on that basis I concluded that we should continue to improve our revenue. On some of them I took a very nominal increase, and on the system outside of the Northern California Extension, the increase is very nominal.

Q. When you considered past performance, what years did you consider?

A. Particularly 1923 to 1935.

Q. Would you consider that in those years any more than in other years, any special consideration should be given to any particular years in that period?

A. Oh, yes. I thought that our revenue in 1935, if business conditions had been normal, should have been about [1865] the average for 1926 or 1927.

Q. (By Examiner Wilkinson) Mr. Bon, the Western Pacific say that about 30 per cent of their traffic is received and delivered to other lines—received from and delivered to other lines.

A. I have not got the figures in my mind.

(Testimony of J. F. Bon.)

Q. It is a large percentage?

A. We have a considerable amount of business that I call bridge traffic.

Q. Are you figuring that the traffic you will receive from other lines and deliver to other lines will increase in the same proportion as your total increases as given here?

A. Some of it will; our transcontinental business, all of which we receive from or deliver to another line, will increase.

Q. Do you contemplate that the traffic which you will originate on your own line will increase a greater proportion than what you receive from connecting lines?

A. I think in about the same ratio.

Q. That is what I thought.

A. Yes. I have here the percentage increase for the system outside of the Northern California Extension. The Northern California Extension showed a greater percentage increase than for the balance of the system.

For example, the increase on the balance of the sys- [1866] tem in 1940 over 1935 is 38.7 per cent—a great increase.

Q. (By Examiner Boyden) Now, you say that you estimate that if business conditions had been normal in 1935, your traffic would have been the same as in 1926 and 1927—did I understand that correctly?

(Testimony of J. F. Bon.)

A. About that average; that is my judgment.

Q. Did you take into consideration the fact that there have been other forms of transportation which have taken some traffic?

A. Yes.

Q. From your system?

A. Oh; we have had those other forms of transportation, particularly water, since 1921, via the Canal and, all the time, via the coastwise steamers and the California inland waterways. Of course, boat competition has been no more severe since 1930 than it was prior to that time.

Q. (By Examiner Wilkinson) The Western Pacific has not suffered as much competition from water carriers as other railroads generally, have they?

A. No, I do not think they have; we have been able to watch and keep our traffic better than some of them.

Q. The topography of the country affects the motor carrier transportation?

A. No, sir. Take the San Joaquin and Sacramento Valleys, they are a fine place for motor carriers; they were operating [1867] between California and Utah common points, and are now.

Q. (By Mr. Nicodemus) You suspect they have been operating at a loss in the past?

A. Yes.

Q. But that will be corrected by regulation?

A. Yes.

Q. (By Examiner Boyden) Is it correct to say that in your estimates you have not considered com-

(Testimony of J. F. Bon.)

petition from other forms of transportation—that they have not reduced your revenues to any extent?

A. Oh, they have, Mr. Examiner—yes, indeed; in my opening statement I said that in previous depressions we had suffered only like other business, but in this depression we have lost a tremendous amount of traffic because of competing forms of transportation.

The truck lines get pretty hungry for business, and they cut the life out of us.

Q (By Examiner Wilkinson) It is not based upon increased rates, is it?

A. In some instances, yes.

Q. Will you make any statement as to how much they have decreased it?

A. In a general way, the truck lines operating between California and Utah, of which there were about six differ- [1868] ent companies, met with the railroads about seven weeks ago and asked us to increase our rates, effective with the date they had to file their tariffs with the Commission.

We said no, we preferred to see those tariffs in operation before we would do it, but they wanted to increase those rates right away, and we would like to get more money, too, but we wanted to see the tariffs in operation first.

I think we have reached the bottom of lower rates due to those competing forms of transportation.

Examiner Boyden: Any further questions?

(No response.)

(Testimony of J. F. Bon.)

You will arrange to have Mr. Bon return for further cross examination at a later date?

Mr. Nicodemus: We will be glad to.

Examiner Boyden: All right.

Mr. Nicodemus: I call Mr. Engelbright.

EDWARD W. ENGELBRIGHT

was sworn and testified as follows:

Direct Examination

Q. (By Mr. Nicodemus) Mr. Engelbright, will you please give your name to the reporter?

A. Edward W. Engelbright.

Q. You are consulting engineer on the staff of the Western [1869] Pacific? A. I am.

P. President Elsey testified that you would be available to support the estimated operating expenses shown on exhibit No. 22. A. Yes, sir.

Q. I will simply ask you whether or not you believe those estimates to be sound and reasonably accurate, and ask you to state briefly the process by which those estimates were made.

A. The estimates for maintenance of way and maintenance of equipment, first, should be qualified by a statement previously made on the record, that the operating expenses in connection with the three-year program of rehabilitation from 1936 to 1938, inclusive, are expected to be charged off to profit and loss.

(Testimony of Edward W. Engelbright.)

Q. Let me interrupt you to ask at this point—I am just reminded of it—President Elsey was unable to state the extent to which the former rehabilitation program remained uncompleted at the beginning of the depression? Have you refreshed your recollection or examined the records to determine that? A. Yes.

Q. What is the amount of the original program?

A. The original program in 1927 contemplated the expendi- [1870] ture of \$18,000,000, and during the years 1927 to 1932, inclusive, a total of \$7,791,261 was expended on that program.

Q. So that approximately ten million dollars remained uncompleted? A. Yes, sir.

Examiner Wilkinson: Let me ask you this:

Q. (By Examiner Wilkinson) Was that for maintenance, or was that for improvement?

A. It was both. There was in that period expended for way and structures and maintenance, \$2,335,093, and for equipment maintenance, \$1,511,617, or a total of \$3,846,710 on maintenance.

The charges to investment account in that same period were \$3,944,551.

Q. (By Mr. Nicodemus) At approximately what date did Mr. Arthur Curtis James and Mr. T. M. Schumacher, at the present time, respectively, Chairman of the Board and Chairman of the Executive Committee, come into the management?

A. I am not personally aware of that, Mr. Nicodemus—exactly when.

(Testimony of Edward W. Engelbright.)

Q. It is a matter of corporate history, though?

A. Yes.

Q. 1927—would that be about the time?

A. I was not here at that time, so I cannot say.

[1871]

Q. All right. That information is shown by the annual reports on file with the Commission, is it not?

A. Yes.

Q. Now, will you take up this exhibit and go forward with the estimates that led you to believe that it would cost \$10,371,000 to operate the property in 1936?

A. Well, the estimates for the regular operating expenses have been made on the same general basis that we commonly make our estimates, in connection with current operations, with the exception previously mentioned, representing the judgment of our engineering and mechanical and operating offices, as to the requirements of the property under the level of revenues indicated on the statement.

Q. This statement was prepared on the basis of representations made by those different offices, and assembled?

A. Discussions with those offices, yes.

Q. You are constantly doing that work—making estimates of operating costs for the future?

A. I am. In preparing the figures, it was necessary to give due thought to the effect of the expenditures being made on the three-year program; that is, there would necessarily be a good effect from the

(Testimony of Edward W. Engelbright.)

laying of such a large amount of rail in the three-year period, and the doing of considerable ballasting; the reconstruction of box cars with steel sides; the replacement of arch bar [1872] trucks with cast steel trucks, and other items of that character would necessarily have a beneficial effect on our maintenance period immediately following the execution of the program.

The estimate for transportation expenses has been prepared after discussion with the vice president and general manager, and has been arrived at on a transportation ratio basis; it represents an estimate based on judgment as to what the expenses for transportation would be under the level of revenues shown.

Q. What you have said for 1936 applies equally to the four subsequent years shown on exhibit No. 22?

A. It does. I think that the statement and the notes on the statement at the right, which bring out some of the points involved, together with the rest of the figures, are probably self-explanatory, but if they are not, I am prepared to furnish further information in connection with it.

Mr. Nicodemus: You may cross examine this witness; that is all I wish to ask him.

Q. (By Examiner Boyden) In estimating your transportation expenses, did you go into the details of the various items making up the expenses, or just how did you estimate it?

(Testimony of Edward W. Engelbright.)

A. Mr. Bon has stated that he expected to have another [1873] passenger train on in May of next year. We gave consideration to that, and consideration to the fact that at the present time we have some unused train capacity in which a certain amount of additional business, if offered, would be handled without any additional train miles, but generally speaking, other than those adjustments, it had to be arrived at on a percentage basis, based on judgment.

Q. Do you have in exhibit form the details of your estimate for transportation expenses for 1936?

A. No; I have not got it in exhibit form.

Q. (By Mr. Nicodemus) You have it in work sheets?

A. We have the work sheets used in the preparation of this estimate.

Q. (By Examiner Boyden) Will you give us for the record the details of that estimate, please?

A. For 1936?

Q. Yes, sir.

A. Yes, sir.

Q. With respect to the other items—maintenance of way and structures—have you the details of those?

A. I have work sheets that can be furnished, yes. Necessarily, the estimate of maintenance of way, and also maintenance of equipment—much of that represents the informed judgment of our maintenance of way officers, [1874] and the equipment represents the informed judgment of the superin-

(Testimony of Edward W. Engelbright.)

tendent of motive power, for the simple reason that those figures are largely under control. They can be held down in one year, but the inevitable result is that they will go up in some other year, so that they are based more or less on judgment.

Q. You don't have any of those figures with you now?

A. We have them in Washington here, but not here in the room.

Examiner Boyden: Off the record.

(Discussion off the record ensued.)

Examiner Boyden: Now, on the record: Mr. Nicodemus, will you have Mr. Engelbright prepare for the record a detailed statement of his computations of operating expenses for the years 1936 to 1940, inclusive?

Mr. Nicodemus: I will do that.

Examiner Boyden: And furnish it for the record?

Mr. Nicodemus: Yes. We can get that together rather quickly.

Q. (By Examiner Boyden) Did you have anything to do with the preparation of the figures for railway track materials?

A. I secured the figures after consultation with our tax department; it represents the estimate of the tax department because they are thoroughly familiar with all the matters, and we showed them the basis of the estimated [1875] revenues, and they went over the whole matter, and it really represents their estimate.

(Testimony of Edward W. Engelbright.)

Q. Is there anything included there for taxes under the Railroad Retirement Act and the Social Security Act?

A. No. If you will look at the next two lines immediately below that, you will see that we have set those items out separate; the excise taxes or the Retirement and Social Security Acts; that is, for the ordinary operation of the property, and, separately, the excise taxes for the rehabilitation program.

Q. Does that mean that in 1936, the \$237,000 relates entirely to the Railroad Retirement Act and the Social Security Act?

A. That is right.

Q. And so on through all the years up to 1940?

A. Yes. It might be well to state for the record, in case any question should be raised about the next item—the hire of equipment item—that that does not represent the debits of this company from the accrual of per diem wholly; the per diem is in that figure, but a large proportion of it represents the car mileage payments due to our heavy use of mileage cars for the shipment of perishables.

Q. Do you have a breakdown of that figure,

A. Yes, I can show you that; that is, for past years. The estimated figures for the car hire item are purely estim- [1876] ates. For instance, the year 1935, out of the total payments for per diem and other equipment hire, the total payments of \$1,430,000—\$855,000 of it represents payments for mileage cars.

(Testimony of Edward W. Engelbright.)

Q. What was the total charge for that year?

A. The total payments?

Q. Yes.

A. They were \$1,430,000 and, included in that, was \$855,000 for mileage.

Q. The total payments are larger than anything included in the estimate?

A. Well, because the figure of the estimate represents net. If you will notice on the left hand side, it is a net figure; that is, after taking the credits on the other side.

Examiner Boyden: Are there any further questions?

(No response.)

Cross Examination

Q. (By Mr. Swaine) I notice that in this forecast your charges for maintenance of way and structures applies on charges for maintenance of equipment run from between 28 and 30 per cent of your total railway operating revenue.

I assume that is your estimate of proper maintenance charges, assuming that you start with the road in normal [1877] condition.

A. Yes; that is correct.

Q. Now, have you got the percentages of your expenditures for maintenance of way and structures and maintenance of equipment as compared with your total railway operating revenues for the period 1929 to 1935, inclusive?

(Testimony of Edward W. Engelbright.)

A. Yes, I have it here; not in the form of an exhibit, but I have the information.

Mr. Swaine: I think it might be helpful to read the figures of your total railway operating revenues for those years into the record, and also the figures for maintenance of way and structures.

I will say to the Examiner that I suspect Mr. Elsey overstated a little the amount of deferred maintenance. I doubt very much, in giving those figures, that it was overstated by as much as \$1,000,000 a year for that period.

The Witness: Mr. Swaine, what do you want me to read?

Mr. Swaine: For each year from 1929 to 1935, inclusive, give the total railway operating revenues, maintenance of way and structures, and maintenance of equipment.

The Witness: And the percentage?

Mr. Swaine: If you have it, by way of percentage.

The Witness: I have it both ways.

Q. (By Mr. Swaine) Give us both ways; it will save us making the computations. [1878]

A. It will be quite a tedious reading, and if you wish, we can prepare this in exhibit form.

Mr. Swaine: I don't care; I thought if you had the figures you could give them more quickly if you read them into the record.

Examiner Boyden: I suggest you read them into the record.

(Testimony of Edward W. Engelbright.)

The Witness: Total operating revenues for the Western Pacific Railway Company: 1921; Revenues, \$12,104,000; Way, \$2,157,000; 17.83 per cent; Equipment, \$2,338,000; 19.3 per cent.

1922: Revenues, \$12,505,000; Way, \$1,970,000; 15.76 per cent; Equipment, \$2,219,000; 17.7 per cent.

1923: Revenues, \$14,138,000; Way, \$2,293,000; 16.22 per cent; Equipment, \$2,371,000; 16.78 per cent.

1924: Revenues, \$14,370,000; Structures, \$2,760,000; 19.2 per cent; Equipment, \$2,519,000; 17.5 per cent.

1925: Revenues, \$15,569,000; Structures, \$2,238,000; 14.4 per cent; Equipment, \$2,456,000; 15.8 per cent.

1926: Revenues, \$16,057,000; Way, \$2,272,000; 14.1 per cent; Equipment, \$2,520,000; 15.7 per cent.

1927: Revenues, \$16,433,000; Way & Structures, \$3,084,000; 18.7 per cent; Equipment, \$2,949,000; 17.9 per cent.

1928: Revenues, \$17,594,000; Way, \$3,345,000; 19 per [1879] cent; Equipment, \$3,011,000; 17.1 per cent.

1929: Revenues, \$17,688,000; Way & Structures, \$3,173,000; 17.9 per cent; Equipment, \$3,262,000; 18.44 per cent.

1930: Revenues, \$16,298,000; Way & Structures, \$2,609,000; 16 per cent; Equipment, \$2,641,000; 16.2 per cent.

1931: Revenue, \$12,914,000; Way, \$2,118,000; 16.4 per cent; Equipment, \$2,226,000; 17.2 per cent.

(Testimony of Edward W. Engelbright.)

1932: \$10,768,000 Revenues; Way & Structures, \$1,332,000; 12.4 per cent; Equipment, \$1,867,000; 17.3 per cent.

1933: Revenues, \$10,868,000; Way, \$1,659,000; 15.3 per cent; Equipment, \$1,896,000; 17.4 per cent.

1934: Revenues, \$12,303,000; Way, \$1,898,000; per cent, 15.4; Equipment, \$1,907,000; 15.5 per cent.

1935: Revenues, \$12,907,000; Way, \$2,369,000; the percentage is 18.3; Equipment, \$2,147,000, and the percentage is 16.6.

That is all of the years. It must be remembered that the period from 1927 to 1931, inclusive, which we have previously discussed, was the period of the so-called improvement program, and during that period all of the maintenance expense incidental to that program was included in regular operating expense figures, which have [1880] just been quoted.

So, to that extent, the figures in that period are accentuated.

Q. (By Mr. Swaine) "Distorted" is a better word.

A. Distorted, yes. The figures in that period were bearing some of the expense that should have been borne by previous years.

Q. As I remember your figures, they were above 30 per cent, even when you had a gross in excess of the prognosticated gross.

A. The figures prior to the program, Mr. Swaine,—that they totaled more than 30 per cent?

Q. Yes. A. That is true.

(Testimony of Edward W. Engelbright.)

Q. But you are piling up a tremendous amount of deferred maintenance and had more than 30 per cent gross revenues charged to maintenance of way and equipment, and yet your gross revenues were larger than you estimate for 1936.

Are the totals comparable to 30 per cent for maintenance of way?

A. Yes, because the improvements that are being made—that were made in the previous improvement program, and the improvements in the weight of rail and additional tie plates, improved ballast, and the improvements to rolling stock are such that they will produce less or require less [1881] maintenance in the future than was true in this earlier period, prior to the other improvement program.

There were a great many miles of the track in those days that had no tie plates whatever, in which the ties failed rather rapidly, not due to rot, but to mechanical wear, so that they had a very short life, whereas today the life of our ties is increasing due to the use of heavier rail and larger tie plates and better drainage of the track structure.

Q. Now, while the figures which you read for the period 1931 to 1935, as I remember them, would be pretty nearly one million dollars a year under the figure which you gave for maintenance of way and equipment for 1936, what is your own estimate of the amount of deferred maintenance for the years 1931 to 1935, inclusive, which ought to be deducted

(Testimony of Edward W. Engelbright.)

from the net railway operating income in order to afford a real picture of what the real revenues for the real net railway operating income for that period was?

A. I could not answer that offhand, Mr. Swaine.

Q. This morning Mr. Elsey gave a figure of five million dollars as deferred maintenance, and I understand that produces an astounding result; when he ended up with the other items, he had a red ink figure.

Mr. Nicodemus: It is attributed to that period, as I [1882] understand it.

Mr. Swaine: We misunderstood each other, but I want some facts. How much was the net maintenance for the railroad in the period from 1931 to 1935?

The Witness: I don't think anyone could give an adequate answer to that question. [1883]

Q. (By Mr. Swaine) What is your best judgment?

A. I could not give it in money; I don't believe anybody could arrive at it. If you look at a freight car in a yard and it is in bad order, it would be very difficult for you to say today how much of that bad order condition accumulated prior to this period—how many and how much during that period.

Q. You have been expending quite a lot of money up to 1936; you had high figures for maintenance of way and equipment, more than for 1936, so, presumably, you have been maintaining normal maintenance, or doing a little better than that, making

(Testimony of Edward W. Engelbright.)

up a considerable amount of your past under-maintenance.

A. We certainly did during the period of the improvement program.

Q. Now, beginning in 1931, if I understand you, you not only failed to continue to cut down the theretofore accrued under-maintenance, but you actually added to your under-maintenance.

A. That is true.

Q. I would like your best guess as to what that additional accrued under-maintenance was between 1931 and 1935.

A. I could not give it because of the under-maintenance that might exist at this moment; I do not believe anybody could say what proportion of that represents under- [1884] maintenance that accrued before the other program was in effect; and subsequently; for instance, the rail has been in the track for the entire period; a lot of the ballast has been in the track for the entire period; a lot of it since the road was constructed, and how can we ever arrive at any sort of a money figure which would show how much of the present accrued under-maintenance, or lack of maintenance, is represented, or has accrued in the past five years, as compared with ten years prior to that or fifteen years prior to that. I don't believe a figure could be arrived at by any logical process.

Q. The question is suggested—how much would it take to put the property back in the condition it was in on January 1, 1931? You would have the

(Testimony of Edward W. Engelbright.)

same exact difficulty in getting at what I ask?

A. Yes, because in 1931, the program was only half completed,—the previous program was only a half completed project.

Q. (By Mr. Nicodemus) In other words, \$10,000,000?

A. Our present program, of course, goes a little ahead of that because time has been running since then; our present program is $9\frac{1}{2}$ million dollars.

Q. (By Mr. Swaine) You might get at it this way: How much track do you think you ought to relay annually, as—[1885] suming you had the track in normal condition?

A. It is very difficult to say because it all depends on when the rail was put in the road; it has been in operation for 25 or 30 years. It is possible to lay out, with a fair degree of accuracy, the proper percentage of rail to be laid each year, say, at $12\frac{1}{2}$ per cent, or 10 per cent, or something of that sort, depending on the conditions, so that you gradually rotate around and get your whole road rerailed.

Q. How much have you laid during the period from 1931 to 1935?

A. I will have to refer to my papers. (Witness consults papers.) Let's see—1931 to 1935—103 miles.

Q. What is the total mileage for the system?

A. The total mileage of the system is 1,217 miles of road, but there has been some rail laid prior to that.

Q. In five years, you lay about 80 per cent of the track?

A. Yes.

(Testimony of Edward W. Engelbright.)

Q. That clearly indicates that on that item there has been some accruing deferred maintenance during the period.

A. Yes, it does. Of course, the five-year period we have just passed through—it was not a question of what you wanted to do; it was a question of what it was possible to do under the conditions existing—the financial conditions.

Q. I quite understand that. I do not make the slightest criticism; everything was done that could reasonably be expected, but I would like to find out what the real earnings from the property have been in the past and what they can be expected to be in the future. I don't think the figures on the past performance are very indicative of what the property really earned, and I know my clients would like to have some assurance of what the income will be in the future—give us your best guess.

A. My best guess as to income in the future is represented by exhibit No. 22. We had a great many conferences with everybody concerned—Mr. Elsey and everyone who could shed any light on the matter, and it represents the best judgment of several men as to what can be hoped for in the future, on the assumption that revenues outlined thereon may be realized.

Q. On the assumption that you have spent ten million dollars for the period? A. Yes.

Mr. Swaine: That is all.

Examiner Boyden: Any further questions?
(No response.)

Mr. Nicodemus: I call Mr. DeGraff. [1887]

D. C. DeGRAFF

was sworn and testified as follows:

Direct Examination

Q. (By Mr. Nicodemus) Please give your name to the reporter. A. D. C. DeGraff.

Q. Mr. DeGraff, you are general auditor of the Western Pacific Railway Company?

A. Yes, sir.

Q. And auditor of the Tidewater Southern Railway Company? A. Yes.

Q. President Elsey testified regarding certain exhibits—exhibit No. 11—the balance sheet as of December 31, 1935, and exhibit No. 12—an analysis of the property account shown by that balance sheet, and a pro forma exhibit—I think No. 16—were prepared under your direction? A. Yes, sir.

Q. You believe them to be correct and accurate in all respects? A. Yes.

Mr. Nicodemus: Counsel may cross examine; I believe Mr. Swaine would like to ask a question about the balance sheet. The debtor has no questions to ask this witness. [1888]

Cross Examination

Q. (By Mr. Swaine) I asked Mr. Elsey this morning whether or not the items appearing under "Current assets" in account No. 717, aggregating \$413,679.25, were items which you believe were readily convertible into cash. Why are you now putting them under the item of current assets?

(Testimony of D. C. DeGraff.)

Mr. Nicodemus: Whether you went in on the judgment of the Commission, or on your own judgment.

Mr. Swaine: These items of the Sacramento Northern include an item of accrued interest on Sacramento Northern Railway Company notes receivable of \$200,347, and then another item of accrued interest on Sacramento Northern Railway Advances, \$69,549, and over under "Investments" I discovered there was an item of \$4,525,000 of notes receivable from the Sacramento Northern, and an item of \$3,338,356.42 under "Sacramento Northern Railway advances".

It was testified that that represented unpledged obligations given to refund the interest and, in part, advanced to the operating deficits. My query was whether or not those items were really realizable items.

A. This \$130,336.86 represents the interest accrued on the Sacramento Northern Bonds owned by the Western Pacific Railroad Company for the six months period ending [1889] December 31, 1935.

Q. Put there solely for that reason—it had not run more than six months?

A. I won't say that particularly, but prior to this time all of those interest items due from the Sacramento Northern Railway had been paid to the Western Pacific Railroad Company.

Q. Paid in cash?

(Testimony of D. C. DeGraff.)

A. Paid in cash, yes, sir, and if the Sacramento Northern Railway Company did not have the money to pay them, it was advanced to them by the Western Pacific Railway Company, and, consequently, this current asset was cancelled, and that brought it up in the amount as advanced to the Sacramento Northern Railway.

Q. Yes. So the regular course of accounting here, as I understand it, is that the six months' interest goes into the current asset item account No. 717; that some time after the expiration of the six months' period the Sacramento Northern pays that item in cash, but it gets the cash by an advance from the Western Pacific Railway Company, which turns up in the investment account—is that right? A. That is right.

Q. Therefore, this current asset is not, from a realistic approach to the consolidated picture anything that is re- [1890] alizable in cash, is it?

A. No.

Mr. Swaine: I suggest, Mr. Examiner, that in addition to the income statements that we requested this morning, with respect to the Sacramento Northern, and in respect to the Tidewater Southern—two of the important subsidiaries—that we have the latest two available balance sheets of those two companies as well.

Examiner Boyden: Will you furnish those balance sheets, Mr. Nicodemus?

(Testimony of D. C. DeGraff.)

Mr. Nicodemus: Yes, sir; I will make a note of it.

Examiner Boyden: Any further questions?

Q. (By Mr. Wilkinson) It is exhibit No. 16 your pro forma general balance sheet of 1936?

A. Yes.

Q. You show there "Investment in Road Equipment, \$13,689,000." What is the basis for that figure?

A. That is taken from our general ledger.

Q. In other words, that is a continuation of the present investment in road and equipment?

A. Yes, sir.

Q. And you are not contemplating changing the investment in road and equipment item as a result of the reorganization? A. No, sir. [1891]

Examiner Boyden: No further questions. The witness is excused. Have you any further witnesses?

Mr. Nicodemus: No further witnesses; the debtor rests, subject to the additional testimony that has been requested in exhibit form. I should like to have another hearing if I could.

Mr. Willard: Mr. Examiner, we have heard something here about earnings in connection with fixed charges under the plan, as covered by a requirement of section 77, and there may be some doubt as to whether or not that requirement is met, but I am now more concerned about another requirement in section 77 to the effect that the provisions of the plan must give fair and equitable treatment to all classes of creditors and afford due recognition to

(Testimony of D. C. DeGraff.)

the right of each class of creditors and stockholders and not discriminate unfairly in favor of any class of creditor or stockholder.

The Railroad Credit Corporation has said to the Commission and to the debtor on two occasions that it feels that the plan submitted to you is inequitable and does discriminate unfairly.

The Railroad Credit Corporation appears to be the only creditor that has not been consulted or advised in the course of the preparation of this plan, and it had hoped that at this hearing there would be introduced [1892] some evidence justifying the basis of conversion referred to in the plan. The record so far seems to be quite barren of any evidence of that character, and we know of no presumption in favor of the debtor. The justification must be established by the debtor.

Of course, if no evidence is put in, and you think there is evidence on the face of the plan itself, as well as some to be inferred from the evidence to be introduced here today, showing conclusively, to our minds, at least, that the plan is inequitable and does discriminate unfairly against the Railroad Credit Corporation.

I say in that connection that we do not regard the treatment accorded the Reconstruction Finance Corporation as being inequitable in giving them equality with the mortgage bondholders, at least, based on such information as we now have, and I think they are entitled, not because of the new

(Testimony of D. C. DeGraff.)

money or on other grounds to be given equality with the first mortgage bondholders, but if there is no evidence introduced by the debtor in justification of the basis of conversion, particularly with respect to the Railroad Credit Corporation in relation to the other debtors, then, of course, feeling as we do, we must ask the Commission on the record to refuse to approve the plan submitted.

It may be that after we have had an opportunity to [1893], study the evidence that has been put in here today and to study the record, that we will desire to make a statement, perhaps through a witness—I am not prepared yet to say whether we would want to do that or not, but I assume we would be given that opportunity at a later date. We will be prepared to go ahead within a few days after we have a copy of the record.

Examiner Boyden: Let me ask you one question, Mr. Willard.

Mr. Willard: Yes.

Examiner Boyden: Supposing the debtor's plan is not supported by adequate or suitable evidence as to the equitability of the exchange of securities which it suggests, what is your view as to whether or not the Commission should approve that plan as being impotent?

Mr. Willard: Well, I expect the Commission could, if the Commission felt it was equitable.

Examiner Boyden: Regardless of the evidence or lack of evidence?

(Testimony of D. C. DeGraff.)

Mr. Willard: Regardless—if there were evidence establishing that it was not equitable, I would not expect the Commission to approve it, but if there were merely a want of evidence, in that event I would suppose the Commission had authority to approve it. We feel that there is affirmative evidence of inequality already in [1894] the record, and if that seems inadequate, then we shall desire to produce more evidence of the same character. The Railroad Credit Corporation is in a separate class.

Examiner Boyden: You will be given an opportunity to be heard from later on, Mr. Willard.

Mr. Willard: Thank you.

Mr. Swaine: Mr. Examiner, I will state the position of the holders of the first mortgage bonds, whom I represent. We were consulted and consulted at considerable length in working out the best plan, not only by counsel for the debtor, but we had some consultation with Mr. Jones, and at one meeting I think Mr. Clay was also present:

It was represented to us that the Reconstruction Finance Corporation desired a plan along these lines and would meet the commitments involved in the plan.

We have stated, and state now again that the Reconstruction Finance Corporation desires a plan along these lines, and is willing to make the commitments contemplated by the plan, and if the plan is acceptable to our bondholders, we will simply recommend acceptance to such other bondholders as may consult us.

(Testimony of D. C. DeGraff.)

That is subject, however, to two conditions to which Mr. Nicodemus has already adverted, and one which he has not mentioned and which has been thrown into promi- [1895] nence by what Mr. Willard has just said.

The two conditions that Mr. Nicodemus referred to are first that the forms of paper shall be satisfactory to us. We had never seen them until they were submitted here this morning. I question whether or not it is worth while spending a great deal of time going over those documents in detail until the general principles of the plan have been somewhat crystallized.

The second thing is the approval of the voting trustees, and two of the three voting trustees have agreed, and the other one has not.

Now, the other element of the plan, as to which our acceptance would be conditional, is this: We do not believe that section 77 as it now stands in respect of the provision that the Commission can enforce the plan on the dissenting classes of creditors is constitutional in the light of a recent decision of the Kentucky Supreme Court on the provisions of section 77-B, which is certainly less onerous than other paragraphs of the section.

I don't believe that if there were any class of which more than $33\frac{1}{3}$ per cent dissented, this plan would be adequate to pass a good title to the successor company, and we would not want to take securities of that company if we did not believe it had good title. [1896]

(Testimony of D. C. DeGraff.)

Therefore, unless the debtor can secure $66\frac{2}{3}$ per cent of each class of creditors—and that includes the Railroad Credit Corporation, which I believe is separately classified, and the Reconstruction Finance Corporation, which is separately classified, we ask that the plan be amended as contemplated by section 77, by the insertion of the provision that the rights of any class of creditors, of which less than $66\frac{2}{3}$ per cent assent, shall be protected by the sale of the property free of the lien of that class of creditors and the substitution of the proceeds of the sale for property in respect of that class.

In other words, unless the statutory two-thirds of each class is released, the dissenting classes shall have what we regard as a constitutional method of releasing their rights in the property in order that the new company shall be assured of the validity of the title to the property.

With those changes, and on the assumption that the Railroad Credit Corporation will accept the plan, we will accede to it ourselves. If those conditions are not met, our view is that the first mortgage bondholders have an absolute first lien upon the property, and that no other creditors, other than the holders of the equipment obligations, which I understand no one suggests be [1897] disturbed, are entitled to receive securities either superior to or on a par with the holders of the first mortgage bonds.

Putting it another way, as far as the present debt is concerned, the Railroad Credit Corporation, the

(Testimony of D. C. DeGraff.)

Reconstruction Finance Corporation, and the A. C. James Corporation holdings are secured by mortgage bonds which are junior entirely to the first mortgage bonds save for certain collateral, which this record shows is substantially valueless, they are required as a matter of law, which Mr. Willard read from section 77, to receive junior securities; that is, securities junior to those given to the first mortgage bondholders.

As I said this morning, in respect to the Railroad Credit Corporation, if it cares to buy ten million dollars worth of securities on a basis more favorable than any one else would provide, that then any market rate or market price at which it furnishes the money, would furnish a consideration for advancing its position.

We do not believe that the apparent discrimination in favor of the Reconstruction Finance Corporation on its old debt, upon analysis, is a real discrimination against anybody else because the Reconstruction Finance Corporation, under the plan, does furnish a very substantial additional consideration for that better treatment. [1898]

Therefore, as to the Reconstruction Finance Corporation, its position under the plan has got to be looked at as an entirety; whereas, as to the Railroad Credit Corporation and the A. C. James Corporation, their positions can be looked at only in the light of the collateral that they hold.

(Testimony of D. C. DeGraff.)

That is a practical matter. It means that unless the Commission is prepared to adopt this plan substantially as it is written, subject to modification with respect to the technically dissenting classes of security holders in any new plan, our committee would like to be consulted as to the terms upon which the new money shall be put up, because unless the new money is to be put up on our terms, or on terms which will not adversely affect our interests, I think the first mortgage bondholders will be prepared to put up the new money themselves.

Examiner Boyden: Your decision would be acceptable to consideration by the Commission and approval of the plan which was submitted to the various groups of creditors for consideration and acceptance, would it not? In other words, that would give your creditors their opportunity to accept or reject the plan—is that not right?

Mr. Swaine: I am afraid I don't follow your question. [1899]

Examiner Boyden: You have stated that if there is any modification of the plan, your group of creditors desire to be consulted as to the terms upon the money will be furnished by the Reconstruction Finance Corporation. Now, approval by the Commission of the plan and submission of that plan to the creditors would afford your group their statutory opportunity, would it not, to accept or reject the terms upon which the Reconstruction Finance Corporation would supply the money, provided, of

(Testimony of D. C. DeGraff.)

course, that the plan contemplated such procedure.

Mr. Swaine: Entirely so; except, under those circumstances, we might be the dissenting class, and, again, we would like to have a modification providing for protecting the interests of the dissenting class, and we ask for that modification of the plan.

We are asking here that the plan be modified to protect the interests of any class of which less than $66\frac{2}{3}$ per cent shall assent by providing for the sale of the property upon which that class has a lien.

Examiner Boyden: Approval of the plan for submission to the creditors to determine which groups would accept it to the extent of $66\frac{2}{3}$ per cent, of course.

Mr. Swaine: My own view is that that should be in the plan right now—whatever plan is put up.

Examiner Wilkinson: Mr. Nicodemus, I don't think the [1900] plan is specific as to whether or not a new corporate entity is contemplated.

Mr. Nicodemus: A new corporate entity is not contemplated.

Examiner Wilkinson: Is not contemplated?

Mr. Nicodemus: It is contemplated if the court affirming this plan will make it effective retroactively to December 31, 1935, and will cancel as of midnight of that date all of the securities of the former company, the new one to be effective January 1, 1936.

Examiner Wilkinson: In other words, only such modifications as would be necessary to the debtors.

(Testimony of D. C. DeGraff.)

Mr. Nicodemus: Any amendment would be in the character of the securities.

Examiner Wilkinson: And no sale is contemplated?

Mr. Nicodemus: No; unless there is an unnecessary expense under this application.

Mr. Coulson: Mr. Examiner, am I correct in understanding that the Commission will, when these various exhibits come in, fix a time for some discussion of the plan as a plan on its legal side?

I would like, on behalf of the A. C. James Company, to make some comment about some phases of the plan, but I would much rather do it after the exhibits are in, and we have had a chance to look at the record as made [1901] today.

I differ a little with Mr. Swaine—or, perhaps, I misunderstood his position—I think the Commission has a very large power of rejection under subsection d of section 77, and I would like to say that while the A. C. James Corporation is in a position of a junior creditor, of approving the basic principle of the plan in the attempt to reorganize this property by keeping alive the principal debt of the creditors, but transferring to an income basis so much of that principal debt as is necessary to relieve the road of a reasonable probability of a similar experience under conditions we can reasonably anticipate.

Yet, there are some features of the plan on which we would like to comment, and if the first mort-

(Testimony of D. C. DeGraff.)

gage bondholders do have a hearing, we urge that a clause be put in the plan to be approved by the Commission as a modified plan, which would provide for sale—we would like also to be heard on that question of whether the Commission or the court is clothed with that sort of power under section 6 of section 77, so I would suggest that the Commission permit the various creditors to have a chance to see this record and see these additional exhibits, and then fix a date when there might be a general hearing on the plan, and from our point of view, we would [1902] like it to be a hearing in which the Commission is considering the plan in the light, not of whether the plan as filed is final and is to be approved or disapproved, but in the light of the Commission's clear power under subsection (d) to originate a plan itself.

Examiner Boyden: As I understand Mr. Swaine's position, he has already stated that the group which he represents suggests that modification of the plan—is that correct?

Mr. Swaine: We suggest that, or that we be assured that all classes of creditors assent to the plan. We don't care—if the Railroad Credit Corporation and the A. C. James Corporation and the Reconstruction Finance Corporation assent to the plan, that becomes wholly academic, because you have got the consent of every class of creditors—that is, the statutory amount—but failing that, we don't believe that the provision which purports to

(Testimony of D. C. DeGraff.)

permit the court and the Commission to force a provision on a class of creditors is a valid provision, and I therefore do not believe that you would have a valid plan for reorganization if you should do that.

Examiner Boyden: You think the plan should contain a provision that if it was not acceptable to all classes of creditors or the requisite percentage of the creditors, that then it should be sold under the conditions [1903] to which you referred?

Mr. Swaine: That is right; in other words, we think the plan should contain a provision which would permit its being carried out in the manner which would be beyond any attack as to its constitutionality, so that the securities which will eventually be put out, will be valid security.

Mr. Nicodemus: I would like very much for Mr. Swaine to submit an amendment to carry out what he has in mind.

Mr. Swaine: I did submit it to you in the preamble to that plan.

Mr. Nicodemus: Will you re-submit it to the Commission? I don't think it was authorized by section 77.

Mr. Swaine: No.

Mr. Nicodemus: I would like to state that we are very hopeful of having this plan accepted by 66 $\frac{2}{3}$ per cent of each class of creditors, and I think after Mr. Willard has studied the record, he will

(Testimony of D. C. DeGraff.)

find it an equitable plan.

Mr. Swaine: I think I can read a provision into the record to convey what I have in mind. I suggest the insertion on page 18 as a separate heading—probably being headed “Paragraph 9”—Roman nine—and that would change paragraph IX to paragraph X, and would change [1904] paragraph X to paragraph XI—a section entitled “Provision for Dissenting Creditors and Stockholders,” reading as follows:

“If more than one-third of any class of creditors or stockholders of the railroad company, as they may be classified by the court in the reorganization proceeding, shall not accept the plan within the period hereinbefore provided, the property of the railroad company shall be sold at public auction at a fair upset price, as determined by the court in the reorganization proceeding, and the non-assenting creditors of such class, or the non-assenting stockholders, as the case may be, shall be entitled to receive their aliquot portion of the proceeds of sale of such property after deducting therefrom all expenses of such sale, and the amount which would be required to pay in full the principal and interest to the date of such sale of all creditors whose claims are prior in lien or superior in equity to the class of such non-assenting creditors, or the rights of such non-assenting stockholders.

“Upon any such sale, the committee representing the first mortgage bondholders under the plan, or its

(Testimony of D. C. DeGraff.)

nominees, may act as purchasers of the property for the benefit of the reorganization, and may apply on account of the purchase price, the distributive share of the pro- [1905] ceeds of such sale of all securities and holders which have assented to the plan and the securities, though not assenting to the plan, of all classes, two-thirds or more in amount, which have assented to the plan."

I will say that I have no great desire to have the committee which I represent act as a purchaser, but I am perfectly willing that the Board of Directors of the debtor shall have the same power so long as it is perfectly clear that the power is to be exercised for the benefit of the reorganization.

Mr. Coulson: If the Commission please, I would like to reaffirm, on behalf of one of the junior creditors, the statement I previously made that if the Commission inserted that clause, we would oppose it. I think the time to decide whether or not there is a dissenting interest is after the plan is approved and reported to the court by the Commission and submitted to the creditors, but I think the clause Mr. Swaine has just read into the record as a suggestion for inclusion by the Commission, is quite outside the scope of Section 77 of the Bankruptcy Act, and we would like an opportunity at the appropriate time to be heard in regard to it.

Mr. Swaine: Section 77 contains a clear affirmation that any plan may provide for sale of the property. You will remember that before the last amend-

(Testimony of D. C. DeGraff.)

ment, that [1906] was a mandatory provision; under the new amendments, it is permissive but not mandatory.

Mr. Coulson: I defer to Mr. Swaine's wisdom as to section 77, but I am unable to apply it to the sale of the whole property, and that is a power ordinarily lodged in a foreclosure court.

Mr. Nicodemus: Colonel Coulson's suggestion of terminating this hearing with the understanding that we get together within a reasonably short time is satisfactory to the debtor.

Examiner Boyden: How soon will you be able to complete the preparation of the additional exhibits?

Mr. Nicodemus: How long will it take, Mr. DeGraff?

Mr. DeGraff: We are a long ways from home, Mr. Nicodemus; I think we ought to have a month.

Mr. Nicodemus: I would hate to have a month go by for the preparation of the exhibits, but it seems we will not be able to get along without them, so there seems to be no alternative—one month.

Examiner Boyden: I think we should adjourn—this is off the record.

(Discussion off the record ensued.)

Examiner Boyden: We will adjourn until April 21, 1936.

(Whereupon, at 4:20 o'clock p.m. of the same day, March 23, 1936, an adjournment was taken until April 21, 1936.) [1907]

April 21, 1936

PROCEEDINGS

Examiner Wilkinson: Come to order, gentlemen.

Mr. Nicodemus: Recall Mr. Elsey.

CHARLES ELSEY

was recalled and testified further as follows:

Direct Examination

Q. (By Mr. Nicodemus) At the last hearing I asked Mr. Englebright if he could give us the date of the election of Mr. James, Mr. Schumacher, and Mr. Adams as directors and officers of the debtor. He was unable to do it. Can you supply those dates?

A. Yes, sir. Mr. Arthur Curtiss James and Mr. C. M. Schumacher were elected directors on July 6, 1926. Mr. H. M. Adams was elected director and president at the annual meeting on March 30, 1927.

Q. At that time did they to your knowledge make an inspection of the property of the Western Pacific Railroad Company? A. Yes, sir.

Q. Following that inspection, did they issue a circular to the stockholders of the Western Pacific Corporation, that is, the holding corporation owning the preferred and common stock of the debtor?

A. Yes, sir.

Q. Have you a copy of that circular? [1911]

A. Yes, sir.

Q. Is that the circular? A. Yes, sir.

Mr. Nicodemus: I offer the circular in evidence

(Testimony of Charles Elsey.)

and ask that it be marked as exhibit No. 28, which is the next consecutive number.

Examiner Wilkinson: The circular which is referred to will be marked as Exhibit No. 28.

(Exhibit No. 28, Witness Elsey, received in evidence.)

Q. (By Mr. Nicodemus) At the last hearing, were you requested by certain counsel and by the examiners to prepare or arrange for the preparation of certain additional exhibits?

A. Yes, sir.

Q. Has this been done? A. Yes, sir.

Q. Have the new exhibits which you stated you have prepared in accordance with those requests already been distributed to counsel?

A. That is correct.

Q. How many exhibits have been prepared?

A. 36.

Q. I have three separate exhibits, one of which consists of 36 statements.

A. That is correct. [1912]

Q. When you refer to the 36 exhibits, you really mean that the first exhibit that we have to offer contains 36 separate statements?

A. That is correct.

Q. At the last hearing Mr. J. F. Bon, the traffic manager, testified in support of the operating revenues shown on the exhibits which we introduced at that hearing. Mr. Englebright testified as to the operating expenses, and the auditor, Mr. D. C. DeGraff, testified as to certain of the financial ex-

(Testimony of Charles Elsey.)

hibits. Do you propose to have the same witnesses support similar statements in these new exhibits?

A. Yes, sir.

Q. That is, excepting Mr. Bon. Will you state to the examiner the situation as to Mr. Bon?

A. Mr. Bon was taken quite ill on return to San Francisco and was unable to make this trip. Mr. Henry Poulterer, the assistant freight traffic manager, cooperated with Mr. Bon in preparing the original statements and also the earnings statements on our subsidiaries. Mr. Poulterer is here to testify here in place of Mr. Bon.

Q. Mr. Poulterer collaborated with him in the preparation of the exhibit used at the last hearing, as well as those that we offer at this hearing?

A. That is correct. [1913]

Q. And is, as you understand it, prepared to testify and be cross examined as to all the exhibits?

A. Yes, sir.

Mr. Nicodemus: I should like, Mr. Examiner, to offer as exhibit No. 29, the compilation of 36 individual statements referred to by Mr. Elsey, subject, of course, to the testimony to be offered by Messrs. Poulterer, Englebright, and DeGraff.

Examiner Wilkinson: The documents just referred to by counsel will be marked Exhibit No. 29.

(Exhibit No. 29, Witness Elsey, received in evidence.)

[Here follows Exhibit No. 29 continuing to page 2092.]

2020

A. C. James Co. et al. vs.

(Testimony of Charles Elsey.)

EXHIBIT NO. 29

The Western Pacific Railroad Company

ADDITIONAL EXHIBITS

As

REQUESTED BY COUNSEL FOR CREDITORS

Or

EXAMINERS FOR INTERSTATE COMMERCE
COMMISSION

at hearing held March 23, 1936

together with

SUPPLEMENTARY EXPLANATORY
MEMORANDA

The Western Pacific RR Co.,
Office of President,
San Francisco, California.

April 9, 1936.

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W. P. System Forecast

Statement No. 1

Notes

The Western Pacific Railroad System

Comprised of

The Western Pacific Railroad Company

Sacramento Northern Railway

Tidewater Southern Railway Company

Deep Creek Railroad Company

**A FORECAST OF CONSOLIDATED REVENUES,
EXPENSES AND INCOME**

Years 1936 - 1940

(Statements 1 to 7, both inclusive)

NOTE 1

This estimate has been prepared in connection with proceedings on a Plan of Reorganization of The Western Pacific Railroad Company filed with the United States District Court and the Interstate Commerce Commission on February 8, 1936.

Statement No. 2 sets forth an estimated consolidated Income Account for the years 1936 to 1940, both inclusive, on an assumed basis of revenues (with estimated operating expenses corresponding to such revenue levels) for The Western Pacific Railroad Company and its three subsidiary railroad lines.

The figures shown on Statement No. 2 represent a consolidated income estimate with all inter-company transactions eliminated.

NOTE 2

Maintenance costs shown for 1936, 1937 and 1938 do not include operating charges incident to the Re-

(Testimony of Charles Elsey.)

habilitation Program of The Western Pacific Railroad Company. Similarly, no estimated Operating Expenses are included for any extraordinary rehabilitation which may be required on subsidiary lines. Plan of Reorganization for The Western Pacific Railroad Company contemplates, subject to approval of the Interstate Commerce Commission, that such expense will be charged to Profit and Loss during those years.

NOTE 3

Sacramento Northern Railway accounts are maintained in conformity with the Interstate Commerce Commission Classification of Accounts for Electric Railways, which includes hire of Equipment charges with "General and Miscellaneous." In the consolidated figures, all hire of equipment has been included under that account, as shown on Line 21.

NOTE 4

Western Pacific currently reports, under "Other Income," interest on obligations of the subsidiary companies to the parent company, i. e., interest on bonds, notes and advances on open account. Such interest income has been eliminated from estimates of the Western Pacific's "Other Income" on Statements Nos. 3, 4, 5, 6 and 7, with the exception of interest on a note of the Tidewater Southern since it is proposed to convert all other such subsidiary obligations to "Advances on Open Account" without interest.

Testimony of Charles Elsey.)

NOTE 5

In comparing estimated "Hire of Equipment" estimates with past records, consideration must be given to the fact that effective January 1, 1936, rentals from lease of Western Pacific refrigerator cars must be included as an item of "Other Income," whereas prior years' rentals were credited to Hire of Equipment Account.

NOTE 6

Interest shown for Western Pacific's Equipment Trusts and Lease-Conditional Sale Agreement provides only for present obligations. No charges for new equipment obligations are included herein since definite plans are not at present available.

NOTE 7

Bonds will be sold to provide funds for the Rehabilitation Program as needs arise, and interest is herein considered as shown below:

Year	Bonds Sold During Year	Outstanding End of Year	Average for the Year	4% Interest on Average
1936	\$3,000,000	\$ 3,000,000	\$ 1,625,000	\$ 65,000
1937	3,500,000	6,500,000	4,750,000	190,000
1938	3,500,000	10,000,000	8,250,000	330,000
1939	None	10,000,000	10,000,000	400,000

and subsequently.

(Testimony of Charles Elsey.)

NOTE 8

Bonded debt of the Tidewater Southern Railway was wholly extinguished by the Sinking Fund as of March 31, 1935, and all Advances on Open Account repaid as of December 31, 1935 leaving no debt to the parent Western Pacific except a note in amount of \$508,278.61 dated June 26, 1933, and due March 1, 1945, on which current interest has been and is expected to be paid currently.

Office of the President,
San Francisco, Calif.,
April 7th, 1936.

2027

WESTERN PACIFIC RAILROAD SYSTEM

Comprised of
 The Western Pacific Railroad Company
 Sacramento Northern Railway
 Tidewater Southern Railway Company
 Deep Creek Railroad Company

W. P. System
Forecast

Statement No. 2 Recapitulation

A FORECAST OF CONSOLIDATED REVENUES, EXPENSES AND INCOME

	1936	1937	1938	1939	1940
1 Assumed Operating Revenues (Note 1)					
2 Freight Revenue	\$13,775,700	\$15,048,700	\$16,332,700	\$17,672,700	\$19,293,700
3 Passenger Revenue (Including City Line revenues of Sacramento Northern Railway)	841,100	1,200,100	1,434,100	1,986,100	1,717,100
4 Mail, Express, Dining & Buffet and Other Passenger Train Revenues	212,500	277,500	309,500	364,500	339,500
5 Miscellaneous Other Revenues—Net	220,900	234,900	248,900	264,900	281,900
6 Total Railway Operating Revenues	15,050,200	16,761,200	18,325,200	20,288,200	21,632,200
7 Operating Expenses (Excluding Operating Expense of WP RR Rehabilitation Program—See Note 1)					
8 Maintenance of Way & Structures (Including Operating Expense of Routine A & B Work—Note 2)	2,463,800	2,509,800	2,608,800	2,767,800	2,940,800
9 Maintenance of Equipment (Including Depreciation and Operating Expense of Routine A & B Work—Note 2)	2,229,300	2,403,800	2,531,300	2,887,800	3,290,300
10 Power (Electric power used on Sacramento Northern Railway)	164,000	171,000	181,000	190,000	194,000
11 Traffic Expense	712,600	735,600	766,600	782,600	803,600
12 Transportation—Rail Line	5,682,600	6,061,900	6,444,900	6,934,900	6,985,900
13 Miscellaneous Operations	92,000	100,000	100,000	115,000	125,000
14 General and Miscellaneous Operations (Note 3)	198,400	204,500	209,600	212,600	215,600
15 General Expense	464,900	489,900	514,900	539,900	564,900
16 Transportation for Investment—Credit	76,000*	76,000*	77,000*	52,000*	52,000*
17 Total Railway Operating Expenses (As qualified above)	11,931,600	12,600,500	13,280,100	14,378,600	15,068,100
18 Railway Tax Accruals—Regular Items	717,300	722,500	824,700	926,900	1,129,100
19 Excise Taxes—Ordinary Expense Payrolls (Railroad Retirement and Social Security)	279,400	408,400	514,200	552,200	582,200
20 Excise Taxes—WP RR Rehabilitation Program Payrolls (Railroad Retirement and Social Security)	28,000	36,000	41,000	—	—
21 Hire of Equipment—Net Debit (Notes 3 and 5)	1,064,600	1,136,500	1,188,400	1,214,400	1,240,400
22 Joint Facility Rents—Net	148,000*	170,000*	188,000*	210,000*	225,000*
23 Net Railway Operating Income	1,177,300	2,027,300	2,664,800	3,426,100	3,837,400
24 Other Income (Assuming WP RR Plan of Reorganization is effective January 1, 1936—Note 4)					
25 Rents from Road and Equipment (Rental on cars leased to Pacific Fruit Express Company—Note 5)	322,000	287,000	229,000	184,000	171,000
26 Miscellaneous Interest and Other Rents from Road and Equipment	148,636	159,936	155,336	159,736	163,336
27 Total Other Income	470,636	437,936	384,336	343,736	334,336
28 Total Income	1,647,936	2,465,236	3,049,136	3,769,836	4,171,736
29 Miscellaneous Deductions from Income					
30 All items other than interest on Funded Debt	123,850	122,650	119,550	117,350	115,250

2	Freight Revenue	\$13,775,700	\$15,048,700	\$16,332,700	\$17,672,700	\$19,293,700
3	Passenger Revenue (Including City Line revenues of Sacramento Northern Railway)	841,100	1,200,100	1,434,100	1,986,100	1,717,100
4	Mail, Express, Dining & Buffet and Other Passenger Train Revenues	212,500	277,500	309,500	364,500	339,500
5	Miscellaneous Other Revenues—Net	220,900	234,900	248,900	264,900	281,900
6	Total Railway Operating Revenues	15,050,200	16,761,200	18,325,200	20,288,200	21,632,200
7	Operating Expenses (Excluding Operating Expense of WP RR Rehabilitation Program—See Note 1)					
8	Maintenance of Way & Structures (Including Operating Expense of Routine A & B Work—Note 2)	2,463,800	2,509,800	2,608,800	2,767,800	2,940,800
9	Maintenance of Equipment (Including Depreciation and Operating Expense of Routine A & B Work—Note 2)	2,229,300	2,403,800	2,531,300	2,887,800	3,290,300
10	Power (Electric power used on Sacramento Northern Railway)	164,000	171,000	181,000	190,000	194,000
11	Traffic Expense	712,600	735,600	766,600	782,600	803,600
12	Transportation—Rail Line	5,682,600	6,061,900	6,444,900	6,934,900	6,985,900
13	Miscellaneous Operations	92,000	100,000	100,000	115,000	125,000
14	General and Miscellaneous Operations (Note 3)	198,400	204,500	209,600	212,600	215,600
15	General Expense	464,900	489,900	514,900	539,900	564,900
16	Transportation for Investment—Credit	76,000*	76,000*	77,000*	52,000*	52,000*
17	Total Railway Operating Expenses (As qualified above)	11,931,600	12,600,500	13,280,100	14,378,600	15,068,100
18	Railway Tax Accruals—Regular Items	717,300	722,500	824,700	926,900	1,129,100
19	Excise Taxes—Ordinary Expense Payrolls (Railroad Retirement and Social Security)	279,400	408,400	514,200	552,200	582,200
20	Excise Taxes—WP RR Rehabilitation Program Payrolls (Railroad Retirement and Social Security)	28,000	36,000	41,000	—	—
21	Hire of Equipment—Net Debit (Notes 3 and 5)	1,064,600	1,136,500	1,188,400	1,214,400	1,240,400
22	Joint Facility Rents—Net	148,000*	170,000*	188,000*	210,000*	225,000*
23	Net Railway Operating Income	1,177,300	2,027,300	2,664,800	3,426,100	3,837,400
24	Other Income (Assuming WP RR Plan of Reorganization is effective January 1, 1936—Note 4)					
25	Rents from Road and Equipment (Rental on cars leased to Pacific Fruit Express Company—Note 5)	322,000	287,000	229,000	184,000	171,000
26	Miscellaneous Interest and Other Rents from Road and Equipment	148,636	150,936	155,336	159,736	163,336
27	Total Other Income	470,636	437,936	384,336	343,736	334,336
28	Total Income	1,647,936	2,465,236	3,049,136	3,769,836	4,171,736
29	Miscellaneous Deductions from Income					
30	All items other than interest on Funded Debt	123,850	122,650	119,550	117,350	115,250
31	Available for Interest on Funded Debt	1,524,086	2,342,586	2,929,586	3,652,486	4,056,486
32	Deduct Interest on WP RR Equipment Trusts and Lease Conditional Sale Agreement (Note 6)	121,680	82,875	45,215	24,772	17,976
33	Deduct Interest on \$15,675,900 of 4% WP RR Bonds (Exchanged Series)	627,036	627,036	627,036	627,036	627,036
34	Deduct Interest at 4% on new Bonds sold to finance WP RR 3-Year Rehabilitation Program (Note 7)	65,000	190,000	330,000	400,000	400,000
35	Deduct Interest on Funded Debt of Subsidiaries (Notes 4 and 8)	2,940	2,580	2,220	1,860	1,500
36	Total Fixed Interest on Funded Debt	816,656	902,491	1,004,471	1,053,668	1,046,512
37	Available Net Income After Fixed Interest Charges	707,430	1,440,095	1,925,115	2,598,818	3,009,974

Office of the President,
San Francisco, Calif.
April 7th, 1936.

*Denotes red figures.

2028

WESTERN PACIFIC RAILROAD SYSTEM

Comprised of
The Western Pacific Railroad Company
Sacramento Northern Railway
Tidewater Southern Railway Company
Deep Creek Railroad Company

W. P. System
Forecast
Statement No. 3 Details

A FORECAST OF CONSOLIDATED REVENUES, EXPENSES AND INCOME

1936

	W. P. RR.	S. N. Ry.	T. S. Ry.	D. C. RR.	Consolidated
1 Assumed Operating Revenues (Note 1)					
2 Freight Revenue	\$12,635,000	\$ 856,000	\$ 280,000	\$ 4,700	\$13,775,700
3 Passenger Revenue (Including City Line revenues of Sacramento Northern Railway)	465,000	376,000	—	100	841,100
4 Mail, Express, Dining & Buffet and Other Passenger Train Revenues	172,000	40,000	—	500	212,500
5 Miscellaneous Other Revenues—Net	166,000	51,000	7,000	100	220,900
6 Total Railway Operating Revenues	13,438,000	1,323,000	287,000	5,400	15,050,200
7 Operating Expenses (Excluding Operating Expense of WP RR Rehabilitation Program—See Note 1)					
8 Maintenance of Way & Structures (Including Operating Expense of Routine A & B Work—Note 2)	2,120,000	292,000	46,000	5,800	2,463,800
9 Maintenance of Equipment (Including Depreciation and Operating Expense of Routine A & B Work—Note 2)	2,058,000	163,000	7,500	800	2,229,300
10 Power (Electric power used on Sacramento Northern Railway)	—	164,000	—	—	164,000
11 Traffic Expense	663,000	41,000	8,500	100	712,600
12 Transportation—Rail Line	5,063,000	545,000	69,500	5,100	5,682,600
13 Miscellaneous Operations	92,000	—	—	—	92,000
14 General and Miscellaneous Operations (Note 3)	—	232,000	—	—	198,400
15 General Expense	450,000	—	14,000	900	464,900
16 Transportation for Investment—Credit	75,000*	1,000*	—	—	76,000*
17 Total Railway Operating Expenses (As qualified above)	10,371,000	1,436,000	145,500	12,700	11,931,600
18 Railway Tax Accruals—Regular Items	646,000	52,000	18,500	800	717,300
19 Excise Taxes—Ordinary Expense Payrolls (Railroad Retirement and Social Security)	237,000	39,000	3,000	400	279,400
20 Excise Taxes—WP RR Rehabilitation Program Payrolls (Railroad Retirement and Social Security)	28,000	—	—	—	28,000
21 Hire of Equipment—Net Debit (Notes 3 and 5)	1,030,000	—	13,700	100	1,064,600
22 Joint Facility Rents—Net	158,000*	—	400	—	148,000*
23 Net Railway Operating Income	1,284,000	204,000*	105,900	8,600*	1,177,300
24 Other Income (Assuming WP RR Plan of Reorganization is effective January 1, 1936—Note 4)					
25 Rents from Road and Equipment (Rental on cars leased to Pacific Fruit Express Company—Note 5)	322,000	—	—	—	322,000
26 Miscellaneous Interest and Other Rents from Road and Equipment	141,000	32,400	3,000	—	148,636
27 Total Other Income	463,000	32,400	3,000	—	470,636
28 Total Income	1,747,000	171,600*	108,900	8,600*	1,647,936

1	Assumed Operating Revenues (Note 1)					
2	Freight Revenue	\$12,635,000	\$ 856,000	\$ 280,000	\$ 4,700	\$13,775,700
3	Passenger Revenue (Including City Line revenues of Sacramento Northern Railway)	465,000	376,000	—	100	841,100
4	Mail, Express, Dining & Buffet and Other Passenger Train Revenues	172,000	40,000	—	500	212,500
5	Miscellaneous Other Revenues—Net	166,000	51,000	7,000	100	220,900
6	Total Railway Operating Revenues	13,438,000	1,323,000	287,000	5,400	15,050,200
7	Operating Expenses (Excluding Operating Expense of WP RR Rehabilitation Program—See Note 1)					
8	Maintenance of Way & Structures (Including Operating Expense of Routine A & B Work—Note 2)	2,120,000	292,000	46,000	5,800	2,463,800
9	Maintenance of Equipment (Including Depreciation and Operating Expense of Routine A & B Work—Note 2)	2,058,000	163,000	7,500	800	2,229,300
10	Power (Electric power used on Sacramento Northern Railway)	—	164,000	—	—	164,000
11	Traffic Expense	663,000	41,000	8,500	100	712,600
12	Transportation—Rail Line	5,063,000	545,000	69,500	5,100	5,682,600
13	Miscellaneous Operations	92,000	—	—	—	92,000
14	General and Miscellaneous Operations (Note 3)	—	232,000	—	—	198,400
15	General Expense	450,000	—	14,000	900	464,900
16	Transportation for Investment—Credit	75,000*	1,000*	—	—	76,000*
17	Total Railway Operating Expenses (As qualified above)	10,371,000	1,436,000	145,500	12,700	11,931,600
18	Railway Tax Accruals—Regular Items	646,000	52,000	18,500	800	717,300
19	Excise Taxes—Ordinary Expense Payrolls (Railroad Retirement and Social Security)	237,000	39,000	3,000	400	279,400
20	Excise Taxes—WP RR Rehabilitation Program Payrolls (Railroad Retirement and Social Security)	28,000	—	—	—	28,000
21	Hire of Equipment—Net Debit (Notes 3 and 5)	1,030,000	—	13,700	100	1,064,600
22	Joint Facility Rents—Net	158,000*	—	400	—	148,000*
23	Net Railway Operating Income	1,284,000	204,000*	105,900	8,600*	1,177,300
24	Other Income (Assuming WP RR Plan of Reorganization is effective January 1, 1936—Note 4)					
25	Rents from Road and Equipment (Rents on cars leased to Pacific Fruit Express Company—Note 5)	322,000	—	—	—	322,000
26	Miscellaneous Interest and Other Rents from Road and Equipment	141,000	32,400	3,000	—	148,636
27	Total Other Income	463,000	32,400	3,000	—	470,636
28	Total Income	1,747,000	171,600*	108,900	8,600*	1,647,936
29	Miscellaneous Deductions from Income					
30	All items other than interest on Funded Debt	121,000	3,600	1,600	—	123,850
31	Available for Interest on Funded Debt	1,626,000	175,200*	107,300	8,600*	1,524,086
32	Deduct Interest on WP RR Equipment Trusts and Lease Conditional Sale Agreement (Note 6)	121,680	—	—	—	121,680
33	Deduct Interest on \$15,675,900 of 4% WP RR Bonds (Exchanged Series)	627,036	—	—	—	627,036
34	Deduct Interest at 4% on new Bonds sold to finance WP RR 3-Year Rehabilitation Program (Note 7)	65,000	—	—	—	65,000
35	Deduct Interest on Funded Debt of Subsidiaries (Notes 4 and 8)	—	2,940	25,414	—	2,940
36	Total Fixed Interest on Funded Debt	813,716	2,940	25,414	—	816,656
37	Available Net Income After Fixed Interest Charges	812,284	178,140*	81,886	8,600*	707,420

Office of the President,
San Francisco, Calif.
April 7th, 1936.

*Denotes red figures.

2029

WESTERN PACIFIC RAILROAD SYSTEM

Comprised of
 The Western Pacific Railroad Company
 Sacramento Northern Railway
 Tidewater Southern Railway Company
 Deep Creek Railroad Company

W. P. System
 Forecast
 Statement No. 4 Details

A FORECAST OF CONSOLIDATED REVENUES, EXPENSES AND INCOME

1937

	W. P. RR.	S. N. Ry.	T. S. Ry.	D. C. RR.	Consolidated
1 Assumed Operating Revenues (Note 1)					
2 Freight Revenue	\$13,831,000	\$ 933,000	\$ 280,000	\$ 4,700	\$15,048,700
3 Passenger Revenue (Including City Line revenues of Sacramento Northern Railway)	806,000	394,000	—	100	1,200,100
4 Mail, Express, Dining & Buffet and Other Passenger Train Revenues	237,000	40,000	—	500	277,500
5 Miscellaneous Other Revenues—Net	180,000	51,000	7,000	100	234,900
6 Total Railway Operating Revenues	15,054,000	1,418,000	287,000	5,400	16,761,200
7 Operating Expenses (Excluding Operating Expense of WP RR Rehabilitation Program—See Note 1)					
8 Maintenance of Way & Structures (Including Operating Expense of Routine A & B Work—Note 2)	2,150,000	308,000	46,000	5,800	2,509,800
9 Maintenance of Equipment (Including Depreciation and Operating Expense of Routine A & B Work—Note 2)	2,225,000	170,000	8,000	800	2,403,800
10 Power (Electric power used on Sacramento Northern Railway)	—	171,000	—	—	171,000
11 Traffic Expense	685,000	42,000	8,500	100	735,600
12 Transportation—Rail Line	5,419,000	563,000	74,800	5,100	6,061,900
13 Miscellaneous Operations	100,000	—	—	—	100,000
14 General and Miscellaneous Operations (Note 3)	—	240,000	—	—	204,500
15 General Expense	475,000	—	14,000	900	489,900
16 Transportation for Investment—Credit	75,000*	1,000*	—	—	76,000*
17 Total Railway Operating Expenses (As qualified above)	10,979,000	1,493,000	151,300	12,700	12,600,500
18 Railway Tax Accruals—Regular Items	650,000	53,000	18,700	800	722,500
19 Excise Taxes—Ordinary Expense Payrolls (Railroad Retirement and Social Security)	355,000	49,000	4,000	400	408,400
20 Excise Taxes—WP RR Rehabilitation Program Payrolls (Railroad Retirement and Social Security)	36,000	—	—	—	36,000
21 Hire of Equipment—Net Debit (Notes 3 and 5)	1,100,000	—	13,700	100	1,136,500
22 Joint Facility Rents—Net	180,000*	—	400	—	170,000*
23 Net Railway Operating Income	2,114,000	177,000*	98,900	8,600*	2,027,300
24 Other Income (Assuming WP RR Plan of Reorganization is effective January 1, 1936—Note 4)					
25 Rents from Road and Equipment (Rental on cars leased to Pacific Fruit Express Company—Note 5)	287,000	—	—	—	287,000
26 Miscellaneous Interest and Other Rents from Road and Equipment	143,000	32,600	3,100	—	150,936
27 Total Other Income	430,000	32,600	3,100	—	437,936
28 Total Income	2,544,000	144,400*	102,000	8,600*	2,465,236
29 Miscellaneous Deductions from Income					
30 All items other than interest on Funded Debt	120,000	3,400	1,600	—	122,650

2	Freight Revenue	\$13,831,000	\$ 933,000	\$ 280,000	\$ 4,700	\$15,048,700
3	Passenger Revenue (Including City Line revenues of Sacramento Northern Railway)	806,000	394,000	—	100	1,200,100
4	Mail, Express, Dining & Buffet and Other Passenger Train Revenues	237,000	40,000	—	500	277,500
5	Miscellaneous Other Revenues—Net	180,000	51,000	7,000	100	234,900
6	Total Railway Operating Revenues	15,054,000	1,418,000	287,000	5,400	16,761,200
7	Operating Expenses (Excluding Operating Expense of WP RR Rehabilitation Program—See Note 1)					
8	Maintenance of Way & Structures (Including Operating Expense of Routine A & B Work—Note 2)	2,150,000	308,000	46,000	5,800	2,509,800
9	Maintenance of Equipment (Including Depreciation and Operating Expense of Routine A & B Work—Note 2)	2,225,000	170,000	8,000	800	2,403,800
10	Power (Electric power used on Sacramento Northern Railway)	—	171,000	—	—	171,000
11	Traffic Expense	685,000	42,000	8,500	100	735,600
12	Transportation—Rail Line	5,419,000	563,000	74,800	5,100	6,061,900
13	Miscellaneous Operations	100,000	—	—	—	100,000
14	General and Miscellaneous Operations (Note 3)	—	240,000	—	—	204,500
15	General Expense	475,000	—	14,000	900	489,900
16	Transportation for Investment—Credit	75,000*	1,000*	—	—	76,000*
17	Total Railway Operating Expenses (As qualified above)	10,979,000	1,493,000	151,300	12,700	12,600,500
18	Railway Tax Accruals—Regular Items	650,000	53,000	18,700	800	722,500
19	Excise Taxes—Ordinary Expense Payrolls (Railroad Retirement and Social Security)	355,000	49,000	4,000	400	408,400
20	Excise Taxes—WP RR Rehabilitation Program Payrolls (Railroad Retirement and Social Security)	36,000	—	—	—	36,000
21	Hire of Equipment—Net Debit (Notes 3 and 5)	1,100,000	—	13,700	100	1,136,500
22	Joint Facility Rents—Net	180,000*	—	400	—	170,000*
23	Net Railway Operating Income	2,114,000	177,000*	98,900	8,600*	2,027,300
24	Other Income (Assuming WP RR Plan of Reorganization is effective January 1, 1936—Note 4)	—	—	—	—	—
25	Rents from Road and Equipment (Rental on cars leased to Pacific Fruit Express Company—Note 5)	287,000	—	—	—	287,000
26	Miscellaneous Interest and Other Rents from Road and Equipment	143,000	32,600	3,100	—	150,936
27	Total Other Income	430,000	32,600	3,100	—	437,936
28	Total Income	2,544,000	144,400*	102,000	8,600*	2,465,236
29	Miscellaneous Deductions from Income					
30	All items other than interest on Funded Debt	120,000	3,400	1,600	—	122,650
31	Available for Interest on Funded Debt	2,424,000	147,800*	100,400	8,600*	2,342,586
32	Deduct Interest on WP RR Equipment Trusts and Lease Conditional Sale Agreement (Note 6)	82,875	—	—	—	82,875
33	Deduct Interest on \$15,675,900 of 4% WP RR Bonds (Exchanged Series)	627,036	—	—	—	627,036
34	Deduct Interest at 4% on new Bonds sold to finance WP RR 3-Year Rehabilitation Program (Note 7)	190,000	—	—	—	190,000
35	Deduct Interest on Funded Debt of Subsidiaries (Notes 4 and 8)	—	2,580	25,414	—	2,580
36	Total Fixed Interest on Funded Debt	899,911	2,580	25,414	—	902,491
37	Available Net Income After Fixed Interest Charges	1,524,089	150,380*	74,986	8,600*	1,440,095

Office of the President,
San Francisco, Calif.
April 7th, 1936.

*Denotes red figures.

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WESTERN PACIFIC RAILROAD SYSTEM

Comprised of
 The Western Pacific Railroad Company
 Sacramento Northern Railway
 Tidewater Southern Railway Company
 Deep Creek Railroad Company

W. P. System
 Forecast
 Statement No. 5 Details

A FORECAST OF CONSOLIDATED REVENUES, EXPENSES AND INCOME

1938

	W. P. RR.	S. N. Ry.	T. S. Ry.	D. C. RR.	Consolidated
1 Assumed Operating Revenues (Note 1)					
2 Freight Revenue	\$15,037,000	\$ 1,011,000	\$ 280,000	\$ 4,700	\$16,332,700
3 Passenger Revenue (Including City Line revenues of Sacramento Northern Railway)	1,008,000	426,000	—	100	1,434,100
4 Mail, Express, Dining & Buffet and Other Passenger Train Revenues	269,000	40,000	—	500	309,500
5 Miscellaneous Other Revenues—Net	194,000	51,000	7,000	100	248,900
6 Total Railway Operating Revenues	16,508,000	1,528,000	287,000	5,400	18,325,200
7 Operating Expenses (Excluding Operating Expense of WP RR Rehabilitation Program—See Note 1)					
8 Maintenance of Way & Structures (Including Operating Expense of Routine A & B Work—Note 2)	2,250,000	307,000	46,000	5,800	2,608,800
9 Maintenance of Equipment (Including Depreciation and Operating Expense of Routine A & B Work—Note 2)	2,350,000	172,000	8,500	800	2,531,300
10 Power (Electric power used on Sacramento Northern Railway)	—	181,000	—	—	181,000
11 Traffic Expense	715,000	43,000	8,500	100	766,600
12 Transportation—Rail Line	5,778,000	587,000	74,800	5,100	6,444,900
13 Miscellaneous Operations	100,000	—	—	—	100,000
14 General and Miscellaneous Operations (Note 3)	—	247,000	—	—	209,600
15 General Expense	500,000	—	14,000	900	514,900
16 Transportation for Investment—Credit	75,000*	2,000*	—	—	77,000*
17 Total Railway Operating Expenses (As qualified above)	11,618,000	1,535,000	151,800	12,700	13,280,100
18 Railway Tax Accruals—Regular Items	750,000	55,000	18,900	800	824,700
19 Excise Taxes—Ordinary Expense Payrolls (Railroad Retirement and Social Security)	450,000	59,000	4,700	500	514,200
20 Excise Taxes—WP RR Rehabilitation Program Payrolls (Railroad Retirement and Social Security)	41,000	—	—	—	41,000
21 Hire of Equipment—Net Debit (Notes 3 and 5)	1,150,000	—	13,700	100	1,188,400
22 Joint Facility Rents—Net	198,000*	—	400	—	188,000*
23 Net Railway Operating Income	2,697,000	121,000*	97,500	8,700*	2,664,800
24 Other Income (Assuming WP RR Plan of Reorganization is effective January 1, 1936—Note 4)					
25 Rents from Road and Equipment (Rental on cars leased to Pacific Fruit Express Company—Note 5)	229,000	—	—	—	229,000
26 Miscellaneous Interest and Other Rents from Road and Equipment	147,000	32,900	3,200	—	155,336
27 Total Other Income	376,000	32,900	3,200	—	384,336
28 Total Income	3,073,000	88,100*	100,700	8,700*	3,049,136
29 Miscellaneous Deductions from Income					
30 All items other than interest on Funded Debt	117,000	3,300	1,600	—	119,550

2	Freight Revenue	\$15,037,000	\$ 1,011,000	\$ 280,000	\$ 4,700	\$16,332,700
3	Passenger Revenue (Including City Line revenues of Sacramento Northern Railway)	1,008,000	426,000	—	100	1,434,100
4	Mail, Express, Dining & Buffet and Other Passenger Train Revenues	269,000	40,000	—	500	309,500
5	Miscellaneous Other Revenues—Net	194,000	51,000	7,000	100	248,900
6	Total Railway Operating Revenues	16,508,000	1,528,000	287,000	5,400	18,325,200
7	Operating Expenses (Excluding Operating Expense of WP RR Rehabilitation Program—See Note 1)					
8	Maintenance of Way & Structures (Including Operating Expense of Routine A & B Work—Note 2)	2,250,000	307,000	46,000	5,800	2,608,800
9	Maintenance of Equipment (Including Depreciation and Operating Expense of Routine A & B Work—Note 2)	2,350,000	172,000	8,500	800	2,531,300
10	Power (Electric power used on Sacramento Northern Railway)	—	181,000	—	—	181,000
11	Traffic Expense	715,000	43,000	8,500	100	766,600
12	Transportation—Rail Line	5,778,000	587,000	74,800	5,100	6,444,900
13	Miscellaneous Operations	100,000	—	—	—	100,000
14	General and Miscellaneous Operations (Note 3)	—	247,000	—	—	209,600
15	General Expense	500,000	—	14,000	900	514,900
16	Transportation for Investment—Credit	75,000*	2,000*	—	—	77,000*
17	Total Railway Operating Expenses (As qualified above)	11,618,000	1,535,000	151,800	12,700	13,280,100
18	Railway Tax Accruals—Regular Items	750,000	55,000	18,900	800	824,700
19	Excise Taxes—Ordinary Expense Payrolls (Railroad Retirement and Social Security)	450,000	59,000	4,700	500	514,200
20	Excise Taxes—WP RR Rehabilitation Program Payrolls (Railroad Retirement and Social Security)	41,000	—	—	—	41,000
21	Hire of Equipment—Net Debit (Notes 3 and 5)	1,150,000	—	13,700	100	1,188,400
22	Joint Facility Rents—Net	198,000*	—	400	—	188,000*
23	Net Railway Operating Income	2,697,000	121,000*	97,500	8,700*	2,664,800
24	Other Income (Assuming WP RR Plan of Reorganization is effective January 1, 1936—Note 4)					
25	Rents from Road and Equipment (Rental on cars leased to Pacific Fruit Express Company—Note 5)	229,000	—	—	—	229,000
26	Miscellaneous Interest and Other Rents from Road and Equipment	147,000	32,900	3,200	—	155,336
27	Total Other Income	376,000	32,900	3,200	—	384,336
28	Total Income	3,073,000	88,100*	100,700	8,700*	3,049,136
29	Miscellaneous Deductions from Income					
30	All items other than interest on Funded Debt	117,000	3,300	1,600	—	119,550
31	Available for Interest on Funded Debt	2,956,000	91,400*	99,100	8,700*	2,929,586
32	Deduct Interest on WP RR Equipment Trusts and Lease Conditional Sale Agreement (Note 6)	45,215	—	—	—	45,215
33	Deduct Interest on \$15,675,900 of 4% WP RR Bonds (Exchanged Series)	627,036	—	—	—	627,036
34	Deduct Interest at 4% on new Bonds sold to finance WP RR 3-Year Rehabilitation Program (Note 7)	330,000	—	—	—	330,000
35	Deduct Interest on Funded Debt of Subsidiaries (Notes 4 and 8)	—	2,220	25,414	—	2,220
36	Total Fixed Interest on Funded Debt	1,002,251	2,220	25,414	—	1,004,471
37	Available Net Income After Fixed Interest Charges	1,953,749	93,620*	73,686	8,700*	1,925,115

Office of the President,
San Francisco, Calif.
April 7th, 1936.

*Denotes red figures.

WESTERN PACIFIC RAILROAD SYSTEM

Comprised of
The Western Pacific Railroad Company
Sacramento Northern Railway
Tidewater Southern Railway Company
Deep Creek Railroad Company

W. P. System
Forecast
Statement No. 6 Details

A FORECAST OF CONSOLIDATED REVENUES, EXPENSES AND INCOME

1939

	W. P. RR.	S. N. Ry.	T. S. Ry.	D. C. RR.	Consolidated
1 Assumed Operating Revenues (Note 1)					
2 Freight Revenue	\$16,338,000	\$ 1,050,000	\$ 280,000	\$ 4,700	\$17,672,700
3 Passenger Revenue (Including City Line revenues of Sacramento Northern Railway)	1,511,000	475,000	—	100	1,986,100
4 Mail, Express, Dining & Buffet and Other Passenger Train Revenues	324,000	40,000	—	500	364,500
5 Miscellaneous Other Revenues—Net	210,000	51,000	7,000	100	264,900
6 Total Railway Operating Revenues	18,383,000	1,616,000	287,000	5,400	20,288,200
7 Operating Expenses (Note 1)					
8 Maintenance of Way & Structures (Including Operating Expense of Routine A & B Work—Note 2)	2,400,000	316,000	46,000	5,800	2,767,800
9 Maintenance of Equipment (Including Depreciation and Operating Expense of Routine A & B Work—Note 2)	2,700,000	178,000	9,000	800	2,887,800
10 Power (Electric power used on Sacramento Northern Railway)	—	190,000	—	—	190,000
11 Traffic Expense	730,000	44,000	8,500	100	782,600
12 Transportation—Rail Line	6,250,000	605,000	74,800	5,100	6,934,900
13 Miscellaneous Operations	115,000	—	—	—	115,000
14 General and Miscellaneous Operations (Note 3)	—	251,000	—	—	212,600
15 General Expense	525,000	—	14,000	900	539,900
16 Transportation for Investment—Credit	50,000*	2,000*	—	—	52,000*
17 Total Railway Operating Expenses (As qualified above)	12,670,000	1,582,000	152,300	12,700	14,378,600
18 Railway Tax Accruals—Regular Items	850,000	57,000	19,100	800	926,900
19 Excise Taxes—Ordinary Expense Payrolls (Railroad Retirement and Social Security)	485,000	62,000	4,700	500	552,200
20 Excise Taxes—WP RR Rehabilitation Program Payrolls (Railroad Retirement and Social Security)	—	—	—	—	—
21 Hire of Equipment—Net Debit (Notes 3 and 5)	1,175,000	—	13,700	100	1,214,400
22 Joint Facility Rents—Net	220,000*	—	400	—	210,000*
23 Net Railway Operating Income	3,423,000	85,000*	96,800	8,700*	3,426,100
24 Other Income (Assuming WP RR Plan of Reorganization is effective January 1, 1936—Note 4)					
25 Rents from Road and Equipment (Rental on cars leased to Pacific Fruit Express Company—Note 5)	184,000	—	—	—	184,000
26 Miscellaneous Interest and Other Rents from Road and Equipment	151,000	33,200	3,300	—	159,736
27 Total Other Income	335,000	33,200	3,300	—	343,736
28 Total Income	3,758,000	51,800*	100,100	8,700*	3,769,836
29 Miscellaneous Deductions from Income					
30 All items other than interest on Funded Debt	115,000	3,100	1,600	—	117,350
31 Available for Interest on Funded Debt	3,643,000	54,900*	98,500	8,700*	3,652,486

3	Passenger Revenue (Including City Line revenues of Sacramento Northern Railway)	1,511,000	475,000	—	100	1,986,100
4	Mail, Express, Dining & Buffet and Other Passenger Train Revenues	324,000	40,000	—	500	364,500
5	Miscellaneous Other Revenues—Net	210,000	51,000	7,000	100	264,900
6	Total Railway Operating Revenues	18,383,000	1,616,000	287,000	5,400	20,288,200
7	Operating Expenses (Note 1)					
8	Maintenance of Way & Structures (Including Operating Expense of Routine A & B Work—Note 2)	2,400,000	316,000	46,000	5,800	2,767,800
9	Maintenance of Equipment (Including Depreciation and Operating Expense of Routine A & B Work—Note 2)	2,700,000	178,000	9,000	800	2,887,800
10	Power (Electric power used on Sacramento Northern Railway)	—	190,000	—	—	190,000
11	Traffic Expense	730,000	44,000	8,500	100	782,600
12	Transportation—Rail Line	6,250,000	605,000	74,800	5,100	6,934,900
13	Miscellaneous Operations	115,000	—	—	—	115,000
14	General and Miscellaneous Operations (Note 3)	—	251,000	—	—	212,600
15	General Expense	525,000	—	14,000	900	539,900
16	Transportation for Investment—Credit	50,000*	2,000*	—	—	52,000*
17	Total Railway Operating Expenses (As qualified above)	12,670,000	1,582,000	152,300	12,700	14,378,600
18	Railway Tax Accruals—Regular Items	850,000	57,000	19,100	800	926,900
19	Excise Taxes—Ordinary Expense Payrolls (Railroad Retirement and Social Security)	485,000	62,000	4,700	500	552,200
20	Excise Taxes—WP RR Rehabilitation Program Payrolls (Railroad Retirement and Social Security)	—	—	—	—	—
21	Hire of Equipment—Net Debit (Notes 3 and 5)	1,175,000	—	13,700	100	1,214,400
22	Joint Facility Rents—Net	220,000*	—	400	—	210,000*
23	Net Railway Operating Income	3,423,000	85,000*	96,800	8,700*	3,426,100
24	Other Income (Assuming WP RR Plan of Reorganization is effective January 1, 1936—Note 4)					
25	Rents from Road and Equipment (Rental on cars leased to Pacific Fruit Express Company—Note 5)	184,000	—	—	—	184,000
26	Miscellaneous Interest and Other Rents from Road and Equipment	151,000	33,200	3,300	—	159,736
27	Total Other Income	335,000	33,200	3,300	—	343,736
28	Total Income	3,758,000	51,800*	100,100	8,700*	3,769,836
29	Miscellaneous Deductions from Income					
30	All items other than interest on Funded Debt	115,000	3,100	1,600	—	117,350
31	Available for Interest on Funded Debt	3,643,000	54,900*	98,500	8,700*	3,652,486
32	Deduct Interest on WP RR Equipment Trusts and Lease Conditional Sale Agreement (Note 6)	24,772	—	—	—	24,772
33	Deduct Interest on \$15,675,900 of 4% WP RR Bonds (Exchanged Series)	627,036	—	—	—	627,036
34	Deduct Interest at 4% on new Bonds sold to finance WP RR 3-Year Rehabilitation Program (Note 7)	400,000	—	—	—	400,000
35	Deduct Interest on Funded Debt of Subsidiaries (Notes 4 and 8)	—	1,860	25,414	—	1,860
36	Total Fixed Interest on Funded Debt	1,051,808	1,860	25,414	—	1,053,668
37	Available Net Income After Fixed Interest Charges	2,591,192	56,760*	73,086	8,700*	2,598,818

Office of the President,
San Francisco, Calif.
April 7th, 1936.

*Denotes red figures.

(Testimony of Charles Elsey.)

Statement No. 8

Page No. 1

**The Western Pacific Railroad Company
Sacramento Northern Railway
Tidewater Southern Railway Company
Deep Creek Railroad Company**

**INCOME ACCOUNT—COMBINED 1922 to 1935, INCLUSIVE
Inter-Company Accounts Eliminated**

NOTES

1. Accounts of the Sacramento Northern Railway do not appear until 1926 and this subsidiary was further enlarged by acquisition of the San Francisco-Sacramento Railroad in 1929.

2. Northern California Extension from Keddie to Bieber—112 miles—was not placed in revenue service until Nov. 10, 1931. Revenues accruing to the System lines on traffic to and from this new line are included after that date, but the portion of such revenues earned on the new line itself were not included until after May 31, 1932. Such revenues were credited to Construction Account, which was also charged with operations. Subsequently these revenues and expenses were cleared through Profit and Loss by authority of the Interstate Commerce Commission.

3. Review of Maintenance of Way expenses should be considered in connection with the growth of the property. This is outlined for the component lines and the System by Statement No. 17. Increased intensity of use is indicated by increases in locomotive and car miles shown by Statement No. 18.

4. Maintenance of Way & Structures accounts for 1934 include Operating Expenses approximating

(Testimony of Charles Elsey.)

\$107,286 incidental to laying 43 track miles of new rail as emergency renewals in 1934. Similarly approximately \$353,036 Operating Expense is included in 1935 incident to laying of 100 track miles of necessary new rail and completion of the 1934 rail work.

Statement No. 8

Page No. 2

5. Included in the Maintenance of Way & Structures and Maintenance of Equipment expenses are Operating Expenses incident to the Improvement Program of the Western Pacific Railroad, which are separately shown, and of the Sacramento Northern Railway and Tidewater Southern Railway, which programs are described more specifically in Statements Nos. 21, 24 and 27.

6. Review of Maintenance of Equipment expenses should be considered in connection with the increased units of equipment to be maintained as shown by Statement No. 19, and also with reference to increased use of equipment as generally shown by increased car and locomotive miles indicated by Statement No. 18.

7. Operating Expense approximating \$54,000 in 1934 and \$83,000 in 1935 are included as a result of rehabilitation of 134 box cars and 207 box cars, respectively.

8. Hire of Equipment for period shown has been Net after taking credit for rentals from lease of Western Pacific owned refrigerator cars to the Pacific Fruit Express Company, which rentals have been as follows:

(Testimony of Charles Elsey.)

1922	\$	1929	\$497,708
1923	159,334	1930	472,169
1924	600,526	1931	445,862
1925	654,100	1932	421,362
1926	629,473	1933	396,927
1927	547,947	1934	371,777
1928	522,390	1935	346,712

Effective January 1, 1936, such rentals will no longer be credited to Hire of Equipment but will be credited to Non-Operating Income.

By reason of having handled heavy movement of perishables, Western Pacific's Hire of Equipment account has always reflected substantial charges for mileage car rentals which are shown below for the period covered by the attached records:

1922	\$138,323	1929	\$561,471
1923	286,201	1930	850,711
1924	328,933	1931	731,656
1925	426,284	1932	683,235
1926	495,126	1933	693,624
1927	560,487	1934	841,745
1928	630,778	1935	855,053

The above figures are also indicative of the growth of the Company's perishable fruit and vegetable traffic.

Statement No. 8

Page No. 3

9. Traffic value of subsidiaries is indicated by Statement No. 10, showing Western Pacific's revenues on traffic interchanged with such subsidiaries.

**THE WESTERN PACIFIC RAILROAD COMPANY
SACRAMENTO NORTHERN RAILWAY
TIDWATER SOUTHERN RAILWAY COMPANY
NORFOLK SOUTHERN RAILWAY COMPANY**

**R.P. SYSTEM
INCOME ACCOUNT**

COMBINED INCOME ACCOUNT - YEARS 1922 TO 1935, BOTH INCLUSIVE (*)

	Year 1922	Year 1923	Year 1924	Year 1925	Year 1926	Year 1927	Year 1928	Year 1929	Year 1930	Year 1931	Year 1932	Year 1933	Year 1934	Year 1935
MILES OF ROAD OPER. END OF YEAR	1,184.70	1,183.98	1,183.98	1,183.98	1,312.75	1,312.07	1,327.17	1,428.82	1,441.01	1,439.10	1,593.67	1,592.87	1,596.87	1,596.73
OPERATING REVENUES														
Freight	\$ 9,667,959.74	\$10,751,274.36	\$11,341,579.24	\$12,434,074.70	\$14,229,451.43	\$14,744,489.63	\$15,974,136.87	\$16,359,040.50	\$15,460,000.79	\$12,342,040.80	\$10,682,430.10	\$10,950,947.75	\$12,338,085.21	\$13,254,572.23
Passenger	2,184,093.30	2,455,419.60	2,126,685.63	2,000,817.49	2,317,180.72	2,000,479.89	1,970,789.89	2,187,700.11	1,795,833.78	1,315,282.63	784,977.05	595,287.84	699,719.67	730,957.44
Mail	74,880.80	70,082.08	66,883.43	66,749.72	71,743.15	70,444.96	75,048.11	114,256.98	82,350.14	77,279.26	89,592.40	88,244.61	86,186.73	86,438.42
Express	408,682.11	467,527.31	456,108.18	380,712.12	380,869.54	358,208.81	401,000.00	446,940.39	394,021.62	306,899.29	154,587.47	70,918.44	94,527.10	100,931.37
Dining Car, Hotel & Restaurant	238,142.09	252,885.12	244,074.39	236,101.08	257,198.71	249,151.63	256,400.46	255,315.87	234,255.43	183,803.70	95,530.31	59,519.79	85,573.93	83,660.59
Miscellaneous	165,195.91	417,541.99	844,222.06	809,053.13	702,864.12	775,403.97	841,060.84	735,302.81	861,049.11	627,142.80	223,633.73	467,590.94	605,145.17	201,897.56
Total Railway Operating Revenues	\$12,786,853.98	\$14,414,812.66	\$14,669,312.92	\$15,298,847.74	\$17,021,447.71	\$15,706,674.80	\$19,421,851.14	\$20,096,556.77	\$18,819,041.87	\$14,889,944.27	\$12,251,071.06	\$12,202,489.08	\$13,779,237.81	\$14,407,457.67
OPERATING EXPENSES														
Ordinary M. & E.	\$ 2,005,580.43	\$ 2,342,737.44	\$ 2,613,104.39	\$ 2,964,917.76	\$ 2,580,319.98	\$ 3,061,709.87	\$ 2,787,290.87	\$ 3,391,323.17	\$ 3,129,292.14	\$ 2,606,737.40	\$ 1,712,787.70	\$ 1,951,499.20	\$ 2,168,837.83	\$ 2,693,537.85
Improvement Program Charges (W.P.R.R.)														
Total M. & E.	2,005,580.43	2,342,737.44	2,613,104.39	2,964,917.76	2,580,319.98	3,061,709.87	2,787,290.87	3,391,323.17	3,129,292.14	2,606,737.40	1,712,787.70	1,951,499.20	2,168,837.83	2,693,537.85
Ordinary P. & E. (Inc. Dep. & Retire.)	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44
Improvement Program Charges (W.P.R.R.)														
Total P. & E.	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44	2,342,737.44
Power	15,001.14	10,384.76	19,354.57	11,882.82	141,380.09	145,094.00	143,849.31	233,551.75	280,370.22	214,695.60	172,611.73	153,604.73	153,022.26	153,022.26
Traffic	401,972.63	430,682.10	436,189.82	482,589.39	504,615.36	506,077.83	771,777.67	921,235.41	882,714.22	865,309.38	750,004.44	695,075.82	690,851.01	715,425.26
Transportation-Rail Line	4,431,508.22	4,821,744.76	4,981,134.61	5,330,853.03	5,569,982.32	5,863,668.63	6,537,565.39	6,815,421.98	6,745,779.89	6,181,446.59	4,885,109.88	4,416,774.00	4,889,748.20	5,580,855.26
Miscellaneous Operations	380,873.19	455,941.48	502,877.09	567,308.87	580,880.98	660,822.90	775,146.31	587,087.31	694,106.28	810,738.33	411,669.54	333,244.80	409,301.25	86,270.29
General	404,642.09	411,028.48	493,640.15	481,726.84	495,265.28	700,629.87	804,854.93	932,037.30	886,016.88	956,648.48	670,789.03	602,879.45	605,053.32	529,559.72
Transportation for Investment	(14,288.09)	(45,329.32)	(69,389.65)	(89,389.65)	(89,389.65)	(89,389.65)	(89,389.65)	(89,389.65)	(89,389.65)	(89,389.65)	(89,389.65)	(89,389.65)	(89,389.65)	(89,389.65)
Total Railway Operating Expenses	\$10,089,494.44	\$10,897,330.90	\$11,091,024.94	\$11,841,734.11	\$12,631,831.01	\$14,515,137.63	\$15,907,869.97	\$16,787,480.73	\$15,821,798.26	\$13,523,787.31	\$10,522,349.60	\$10,129,689.29	\$11,183,735.28	\$12,064,689.22
Net Revenue from Railway Operations	\$ 2,707,359.54	\$ 3,517,481.76	\$ 3,578,287.98	\$ 3,457,113.63	\$ 4,489,608.70	\$ 3,791,537.17	\$ 3,513,981.17	\$ 3,309,076.04	\$ 2,997,243.61	\$ 1,366,156.86	\$ 1,728,721.46	\$ 2,072,800.79	\$ 2,595,502.53	\$ 2,342,768.45
Railway Tax Accruals	986,345.21	978,684.87	997,584.98	1,001,984.83	1,419,180.43	1,641,842.74	1,997,635.06	1,449,474.00	1,269,312.14	1,260,038.36	1,103,715.45	933,910.41	862,536.43	750,034.96
Uncollectible Railway Revenues	811.29	1,131.32	5,911.48	1,637.82	1,707.89	808.64	82.82	1,325.25	450.80	844.24	2,076.82	713.72	6,738.95	7,972.03
Railway Operating Income	\$ 1,720,203.04	\$ 2,538,665.57	\$ 2,574,791.52	\$ 2,453,491.00	\$ 2,868,619.77	\$ 2,148,685.79	\$ 1,516,243.29	\$ 1,858,301.30	\$ 1,727,471.47	\$ 1,105,118.50	\$ 624,985.23	\$ 1,138,889.38	\$ 1,726,227.15	\$ 1,584,761.46
Hire of Equipment - Net Credit or Net Debit	\$ 286,993.18	\$ 380,775.03	\$ 309,610.44	\$ 389,602.82	\$ 614,814.80	\$ 263,984.15	\$ 69,771.23	\$ 247,259.44	\$ 380,730.99	\$ 360,287.81	\$ 431,717.84	\$ 502,319.04	\$ 645,619.75	\$ 775,650.21
Joint Facility Rents - Net Credit or Net Debit	75,074.18	70,806.82	40,819.67	171,473.60	213,121.07	223,634.48	256,248.92	234,343.72	211,979.97	210,672.70	169,743.04	160,604.30	141,870.70	124,041.02
Net Railway Operating Income	\$ 1,971,877.34	\$ 3,065,602.14	\$ 3,025,602.45	\$ 4,364,467.49	\$ 4,786,684.15	\$ 2,661,617.40	\$ 2,853,476.43	\$ 2,419,679.95	\$ 1,846,740.52	\$ 714,046.77	\$ 359,974.19	\$ 805,382.01	\$ 1,222,478.10	\$ 933,152.27
NON-OPERATING INCOME														
Rental of Property	\$ 74,338.38	\$ 99,931.29	\$ 107,621.97	\$ 110,279.87	\$ 135,447.55	\$ 144,787.80	\$ 156,567.49	\$ 203,536.37	\$ 275,264.95	\$ 180,427.42	\$ 154,861.76	\$ 137,188.77	\$ 132,330.18	\$ 134,224.79
Interest Accruals	681,227.07	580,332.05	179,049.11	140,455.30	73,856.99	65,449.54	151,836.45	118,544.93	89,840.92	101,506.80	51,851.67	32,480.37	25,486.06	17,531.49
Miscellaneous	224.46	509.22	10,728.08	275.00	508.49	457.65	637.65	425.77	1,671.02	4,290.21	287.84	57.00	(2,372.09)	669.81
Total Non-Operating Income	\$ 456,019.91	\$ 680,772.56	\$ 297,399.16	\$ 250,960.46	\$ 209,812.03	\$ 210,734.99	\$ 309,041.59	\$ 322,507.07	\$ 365,106.87	\$ 286,195.13	\$ 207,001.26	\$ 169,666.14	\$ 155,824.16	\$ 152,426.09
GROSS INCOME	\$ 2,427,897.25	\$ 3,746,374.70	\$ 3,323,001.61	\$ 4,615,427.95	\$ 4,996,501.18	\$ 2,879,412.39	\$ 3,162,518.02	\$ 2,742,187.02	\$ 2,111,947.39	\$ 1,391,241.90	\$ 866,975.45	\$ 975,048.15	\$ 1,378,002.26	\$ 1,085,578.36
MISCELLANEOUS DEDUCTIONS														
Miscellaneous Rents	\$ 43,517.08	\$ 43,906.88	\$ 42,335.37	\$ 42,809.39	\$ 43,270.72	\$ 43,240.93	\$ 46,957.44	\$ 46,447.47	\$ 47,059.63	\$ 47,109.97	\$ 47,780.69	\$ 51,003.16	\$ 49,436.61	\$ 40,891.02
Miscellaneous Tax Accruals	77.80	79.60	163.30	326.55	1,404.86	2,252.92	6,188.63	14,871.84	15,599.72	30,928.31	27,399.85	38,045.42	46,836.74	49,399.85
Amortization of Discount	103,806.04	110,891.78	121,517.29	126,258.83	130,189.18	129,060.82	124,441.73	130,972.48	135,984.32	136,697.92	144,910.99	146,877.72	143,433.32	143,433.32
Miscellaneous Charges to Income	14,872.80	15,600.00	18,993.75	20,879.17	22,182.20	20,414.93	18,659.18	20,249.44	145,365.58	194,110.84	94,157.76	65,114.67	53,422.45	46,265.22
Total Miscellaneous Deductions	\$ 162,273.70	\$ 170,478.26	\$ 162,957.41	\$ 169,975.94	\$ 197,016.96	\$ 193,776.60	\$ 196,246.96	\$ 212,340.63	\$ 342,099.19	\$ 401,856.04	\$ 314,229.29	\$ 301,040.97	\$ 293,758.41	\$ 275,986.97
AVAILABLE FOR INTEREST	\$ 2,265,623.55	\$ 3,575,896.44	\$ 3,160,044.20	\$ 4,445,451.99	\$ 4,799,484.22	\$ 2,685,635.79	\$ 2,966,271.04	\$ 2,529,846.39	\$ 1,869,848.24	\$ 989,385.86	\$ 552,746.16	\$ 674,007.18	\$ 1,034,243.65	\$ 809,591.39
Interest on Funded Debt	\$ 1,232,036.34	\$ 1,475,111.28	\$ 1,779,762.78	\$ 1,933,735.45	\$ 2,076,777.07	\$ 2,154,867.70	\$ 2,312,527.06	\$ 2,507,645.03	\$ 2,667,746.29	\$ 2,817,446.16	\$ 3,180,532.21	\$ 3,427,937.18	\$ 3,370,262.05	\$ 3,349,290.30
Interest on Unfunded Debt	2,037.83	1,768.62	1,899.10	1,742.76	2,909.09	2,663.08	4,655.16	1,832.67	812.31	18,201.42	73,869.12	66,497.39	43,567.67	39,729.91
Total Interest Deductions	\$ 1,234,074.17	\$ 1,476,879.90	\$ 1,781,661.88	\$ 1,935,478.21	\$ 2,079,686.16	\$ 2,157,530.78	\$ 2,317,182.22	\$ 2,509,477.70	\$ 2,668,558.60	\$ 2,835,647.61	\$ 3,254,401.33	\$ 3,494,434.57	\$ 3,413,829.72	\$ 3,389,020.21
NET INCOME	\$ 1,031,549.38	\$ 1,899,016.54	\$ 1,378,382.72	\$ 2,510,003.78	\$ 2,719,798.06	\$ 528,054.61	\$ 649,088.82	\$ 20,308.69	\$ (1,116,071.21)	\$ (1,868,665.75)	\$ 3,001,995.17	\$ (2,633,437.56)	\$ (2,329,586.87)	\$ (2,583,409.82)

(*) Includes Sacramento Northern Railway 1922 to 1935, inclusive.

Note: Figures in parentheses, viz.: () denote red.

(*) Includes San Francisco-Sacramento RR. Co. 1929 to 1935, inclusive.

(Testimony of Charles Elsey:)

Statement No. 10

**The Western Pacific Railroad Company
Revenues on Traffic Interchanged
with
Sacramento Northern Railway
Tidewater Southern Railway Company
Central California Traction Company
Deep Creek Railroad Company
1922 - 1935**

Interchanged With					
Year	S.N. Ry.	T.S. Ry.	C.C.T. Co.	D.C. RR.	Total
1922	\$ •	\$313,461	\$ †	\$ ‡	\$ 313,461
1923	•	388,857	†	‡	388,857
1924	•	406,266	†	‡	406,266
1925	•	507,208	†	‡	507,208
1926	559,015	575,183	†	18,549	1,152,747
1927	654,549	629,232	†	13,003	1,296,784
1928	741,147	686,818	257,511	12,522	1,697,998
1929	752,257§	546,663	203,706	14,129	1,516,755
1930	1,128,265§	756,303	286,632	10,141	2,181,341
1931	847,795§	474,557	194,263	8,775	1,525,390
1932	825,108§	449,353	219,208	10,458	1,504,127
1933	851,729§	422,892	207,638	8,704	1,490,963
1934	922,958§	549,069	216,253	6,556	1,694,836
1935	892,513§	544,748	216,522	5,082	1,658,865

NOTES

*Sacramento Northern Railway was acquired by The Western Pacific Railroad Company as of November 5, 1925, and increased by acquisition of San Francisco-Sacramento Railroad as of January 1, 1929.

†Western Pacific's interest in Central California Traction Co. was acquired as of January 1, 1928.

‡Information on Deep Creek contributions of traffic not available 1922 through 1927.

(Testimony of Charles Elsey.)

§Included in revenues accruing to The Western Pacific Railroad Company from Sacramento Northern Railway interchange for 6 months of 1929 and the years thereafter are revenues on business to and from the Holland Branch of the Sacramento Northern Railway, which branch was placed in service in June, 1929.

Office of the President,
San Francisco, Calif.,
April 4th, 1936.

Statement No. 11

Notes for Statements on Advances to Subsidiaries

1. Sacramento Northern Railway:

Tidewater Southern Railway Company:

Prior to September, 1935, advances made to the Sacramento Northern Railway and Tidewater Southern Railway Company were added to the principal of "Advances on Open Account" and interest at 5% on the accumulated total was accrued and paid monthly.

The Tidewater Southern Railway Company has repaid all previous advances and on which interest was accrued at 5% and paid.

2. Deep Creek Railroad Company:

Advances to Deep Creek Railroad Company during 1932 represent bills and interline accounts which had been rendered against the Deep Creek by Western Pacific over a considerable period. In 1932 these were offset by journal entries and an equal amount set up

(Testimony of Charles Elsey.)

as "Advances on Open Account" WITHOUT INTEREST.

Interest at 5% was accrued and paid monthly by the Deep Creek on principal of other advances shown.

3. Standard Realty & Development Company:
Advances shown are non-interest bearing.

Sacramento Northern Railway
DISPOSITION OF ADVANCES MADE BY THE WESTERN PACIFIC RAILROAD COMPANY

Year	Amount	For New Lines and Extensions Additions and betterments and Misc. Phys. Property	For Interest Payments by Sacto. Nor. Ry. to West. Pac. RR. Co.			Approximate amount paid W. P. RR. for proportion of joint expenses not specifically maintained for Sacto. Nor. Ry.	Total Returned to The W. P. RR. Co.	Other Disposition		
			On First Mortgage Bonds owned by W. P.	On Notes	On Advances			Interest on Bonds owned by Public	Interest on Sacto. Union Sta. mortgage (Blasco Notes)	To reimburse General Cash
1928	\$1,492,734.	\$ 120,000.*	—	—	—	—	—	—	—	—
1929	1,110,000.	2,482,734.*	—	—	—	—	—	—	—	—
1930	1,775,000.	1,711,015.*	63,985.**	—	—	—	63,985.	—	—	—
1931	784,000.	198,260.*	260,674.	160,504.	97,923	47,400.	566,501.	545.	3,600.	15,094.
1932	788,115.	12,735.*	260,674.	160,504.	139,670.	47,000.	607,848.	545.	3,600.	163,387.
1933	632,252.	15,688.	260,674.	201,555.	131,585.	22,750.***	616,564.	—	—	—
1934	660,000.	21,690.	260,674.	240,417.	125,243.	11,976.***	638,310.	—	—	—
1935	621,000.	33,576.	130,337.	40,070.	89,445.	49,800.	309,652.	545.	3,315.	273,912.
Totals	7,863,101.	4,595,698.								
*Converted to notes dated 12/29/28, 9/2/30 and 6/26/33	4,524,744.	4,524,744.								
Balance in open account at 12/31/35	\$3,338,357	\$ 70,954.	\$1,237,018.	\$803,050.	\$583,866.	\$178,926.	\$2,802,860.	\$1,635.	\$10,515.	\$452,393.

**Total Interest paid for year.....\$260,674.

***Total for each of years 1933 and 1934, approximately..... 47,000.

Cash on hand Dec. 31, 1935.....\$ 137,140.

2040

Statement No. 12

Sacramento Northern Railway

DISPOSITION OF ADVANCES MADE BY THE WESTERN PACIFIC RAILROAD COMPANY

Amount	For New Lines and Extensions, Additions and betterments and Misc. Phys. Property	For Interest Payments by Sacto. Nor. Ry. to West. Pac. RR. Co.			Approximate amount paid W. P. RR. for proportion of joint expenses not specifically maintained for Sacto. Nor. Ry.	Total Returned to The W. P. RR. Co.	Other Disposition			Grand Total	Western Pacific Revenue on business interchanged with Sacto. Nor.
		On First Mortgage Bonds owned by W. P.	On Notes	On Advances			Interest on Bonds owned by Public	Interest on Sacto. Union Sta. mortgage (Blahee Notes)	To reimburse General Cash		
\$1,492,734.	\$ 120,000.*	—	—	—	—	—	—	—	—	—	—
1,110,000.	2,482,734.*	—	—	—	—	—	—	—	—	—	\$ 752,257.
1,775,000.	1,711,015.*	63,985.**	—	—	—	63,985.	—	—	—	63,985.	1,128,266.
784,000.	198,260.*	260,674.	160,504.	97,923	47,400.	566,501.	545.	3,600.	15,094.	585,740.	847,795.
788,115.	12,735.*	260,674.	160,504.	139,670.	47,000.	607,848.	545.	3,600.	163,387.	775,380.	825,108.
632,252.	15,688.	260,674.	201,555.	131,585.	22,750.***	616,564.	—	—	—	632,252.	851,729.
660,000.	21,690.	260,674.	240,417.	125,243.	11,976.***	638,310.	—	—	—	660,000.	922,958.
621,000.	33,576.	130,337.	40,070.	89,445.	49,800.	309,652.	545.	3,315.	273,912.	621,000.	892,513.
7,863,101.	4,595,698.										
notes dated 12/29/28, 6/26/33	4,524,744.	4,524,744.									
on account at											
\$3,338,357.	\$ 70,954.	\$1,237,018.	\$803,050.	\$583,866.	\$178,926.	\$2,802,860.	\$1,635.	\$10,515.	\$452,393.	\$3,338,357.	
		**Total Interest paid for year				\$260,674.					
		***Total for each of years 1933 and 1934, approximately				47,000.					

Dec. 31, 1935 \$ 137,140.

(Testimony of Charles Elsey.)

Statement No. 13

Tidewater Southern Railway Company

DISPOSITION OF ADVANCES MADE BY THE WESTERN
PACIFIC RAILROAD COMPANY

(1) Year	(2) Amount	(3) For Additions and Betterments and Misc Phys. Property	(4) (Note) To reimburse General Cash
1927	\$ 65,000	\$ 65,000	
1928	90,000	90,000	
1929	95,000	95,000	
1930	254,000	254,000	
1931	57,000	4,279	\$52,721
1932	13,000		13,000
1933	64,200		64,200
1934	70,000*		70,000*
1935	59,921*		59,921*
Totals	\$508,279	\$508,279	
Converted to note dated 6/26/1933	508,279	508,279	
Balance in Open Account at 12/31/1935	None	None	None
Cash on hand December 31, 1935			\$153,192

*Denotes red figures.

Note: Column 4 represents amounts necessary for application to income deficits, etc.

(Testimony of Charles Elsey.)

Statement No. 14

Deep Creek Railroad Company

DISPOSITION OF ADVANCES MADE BY THE WESTERN PACIFIC RAILROAD COMPANY

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Year	Amount	Taxes	Amount due West. Pac. RR. Co. in settlement of accumulated inter-line Frt. Acct. and Misc. Bills	Paid West. Pac. RR. Co. for interest on note	Paid West. Pac. RR. Co. for interest on advances	(Note) To reimburse General Cash	Grand Total
1931	\$ 3,900	\$1,200		\$ 2,700			\$ 3,900
1932	73,530		73,530				73,530
1933	2,800			2,700		100	2,800
1934	9,100	650		2,700	598	5,152	9,100
1935	11,100	650		2,025	550	7,875	11,100
Total in open account at 12/31/35	\$100,430	\$2,500	\$73,530	\$10,125	\$1,148	\$13,127	\$100,430
Cash on hand Dec. 31, 1935	\$ 3,161						

Note: Column 7 represents amounts necessary for application to income deficits, etc.

(Testimony of Charles Elsey.)

Statement No. 15

Standard Realty and Development Company

**DISPOSITION OF ADVANCES MADE BY THE WESTERN
PACIFIC RAILROAD COMPANY**

Year	Amount	Additional Property	Taxes	Misc. Expenses	Grand Total
1926	\$250,016	\$245,737	\$ 4,105	\$ 174	\$250,016
1927					
1928	115,500	100,500	12,000	3,000	115,500
1929	20,000	9,099	8,901	2,000	20,000
1930	21,082	16,082	4,000	1,000	21,082
1931	7,000		7,000		7,000
1932	6,000*			6,000*	6,000*
1933					
1934	1,500		1,500		1,500
1935	17,612†	15,212	2,400		17,612
<hr/>					
Total in open account at 12/31/35	\$426,710†	\$386,630	\$39,906	\$ 174	\$426,710
Cash on hand Dec. 31, 1935	\$ 1,630				

*Denotes red figures.

†Detail as follows:

Cash	\$ 2,400
Charge for property from W. P. Cal.	23,824
Credit for property transferred to W. P. RR. Co.	8,612
	<hr/>
	\$17,612

†This is correct total as shown by S. R. & D. Co's. balance sheet for December, 1935.
Difference of \$23,256 adjusted in W. P. RR. Co's. accounts for February, 1936.

(Testimony of Charles Elsey.)

Statement No. 16

**The Western Pacific Railroad Company
Sacramento Northern Railway
Tidewater Southern Railway Company
Deep Creek Railroad Company**

VALUATION RECAPITULATION

The Western Pacific Railroad Company.....	\$123,385,730.00
Sacramento Northern Railway.....	18,742,443.00
Tidewater Southern Railway Company.....	1,999,360.00
Deep Creek Railroad Company.....	492,318.00

Total W. P. System (as of Dec. 31, 1935).....\$144,619,851.00
Office of President
April 6, 1936.

Statement No. 16

Page No. 2

The Western Pacific Railroad Company**VALUATION**

Book Value, Road and Equipment, June 30, 1914.....	\$ 81,481,136.40
I. C. C. Value, Road and Equipment, June 30, 1914.....	63,321,000.00
Difference.....	\$ 18,160,136.40

Book Value, Road and Equipment, December 31, 1935.....	\$137,689,739.14
Deduct reduction by I. C. C. June 30, 1914.....	18,160,136.40

I. C. C. Valuation plus subsequent Additions and Betterments to December 31, 1935.....	\$119,529,602.74
Non operating Property.....	3,856,127.99

**TOTAL VALUE W. P. PROPERTY DE-
CEMBER 31, 1935 (I. C. C. Basis).....\$123,385,730.73**

Office of President
April 6, 1936.

(Testimony of Charles Elsey.)

Statement No. 16

Page No. 3

Sacramento Northern Railway

VALUATION

Property Owned:

I. C. C. Physical Valuation as of December 31,
1928, including Lands, and less

Depreciation\$16,327,542.00

From December 31, 1928, to December
31, 1935:

R. & E.—Additions and

Betterments\$2,397,739.63

Less Retirements..... 744,779.37

Total Increase—R. & E.....\$1,652,960.26

Less Depreciation accrued

on Passenger Cars,
Service Cars, Locomotives
and Floating Equip-
ment, from January

1, 1929, to December

31, 1935, inc..... 291,990.91

Net Increase—R. & E.....\$1,360,969.35 1,360,969.35

Value as of December 31, 1935.....\$17,688,511.35

Misc. Physical Property:

I. C. C. Valuation as of December 31, 1928.....\$ 961,886.00

From December 31, 1928,
to December 31, 1935:

Additions to Misc.

Physical Property\$125,883.92

Less Retirements..... 33,838.26

Net Increase, Misc. Physical Property..... 92,045.66

Value as of December 31, 1935.....\$ 1,053,931.66

TOTAL VALUE above items

as of December 31, 1935:

Property Owned & Misc. Physical Property.....\$18,742,443.01

Office of President,

April 6, 1936.

(Testimony of Charles Elsey.)

Statement No. 16

Page No. 4

Tidewater Southern Railway Co.

VALUATION

Property Owned and Used:

I. C. C. Physical Valuation as of December

31, 1927, including land, and

less depreciation.....\$1,519,110.00

From December 31, 1927, to

December 31, 1935:

R. & E.—Additions

and Betterments.....\$409,748.81

Less Retirements.....240,866.55

\$168,882.26

Plus items omitted

from Basic Valuation
which were in
existence at that
time:

Water Tank—

Turlock\$ 750.00

Furniture—Mills

Building1,159.75 1,909.75

Total Increase—R. & E.....\$170,792.01

Less Depreciation accrued on

Locomotives, Freight Cars,

Service Cars and Automob-

iles from January 1, 1928,

to December 31, 1935, inc.....4,183.57Net Increase—R. & E.....\$166,608.44 166,608.44

Value as of December 31, 1935.....\$1,685,718.44

(Testimony of Charles Elsey.)

Misc. Physical Properties:

I. C. C. Valuation as of December 31, 1927_____ 272,951.00

Additions during period

1928-35, inc. _____ \$57,636.86

Less Retirements _____ 21,945.45

Net Increase _____ 35,691.41

Value as of December 31, 1935 _____ \$ 308,642.41

TOTAL PROPERTY OWNED

as of December 31, 1935 _____ \$1,999,360.85

Office of President,
April 6, 1936.

Statement No. 16

Page No. 5

Deep Creek Railroad Company**VALUATION**Based on tentative Engineering and Land Report of Dec.
31, 1927.

Item	New	After Depreciation
Road and Equipment	\$647,689	\$489,877
Land Operative	2,166	2,166
Land Non-Operative	11	11
Total	\$649,866	\$492,054
Additions and Betterments (to Dec. 31, 1935)		264
Total		\$492,318

Office of President,
April 6, 1936.

(Testimony of Charles Elsey.)

Statement No. 17.

Page No. 1

**The Western Pacific Railroad Company
Sacramento Northern Railway
Tidewater Southern Railway Company
Deep Creek Railroad Company**

RECAPITULATION

Operated Mileage End of Year				
	Miles of Road	Add'l Main Track	Yards and Sides	Total
1922	1158.18	5.93	229.38	1393.49
1923	1157.46	5.93	256.13	1419.52
1924	1157.46	188.97	267.47	1613.90
1925	1157.46	186.03	282.95	1626.44
1926	1322.23	194.87	343.29	1860.39
1927	1321.55	194.48	360.70	1876.73
1928	1330.65	194.48	380.29	1905.42
1929	1436.00	201.34	402.52	2039.86
1930	1444.49	201.34	419.83	2065.66
1931	1442.58	201.36	427.93	2071.87
1932	1597.23	201.36	471.79	2270.38
1933	1601.07	201.08	476.14	2278.29
1934	1600.93	200.93	480.86	2282.72
1935	1595.29	200.87	495.39	2291.55

(Testimony of Charles Elsey.)

Statement No. 17

Page No. 2

The Western Pacific Railroad Company**Operated Mileage End of Year**

	Miles of Road	Add'l Main Track	Yards and Sides	Total
1922	1046.88	5.93	216.04	1268.85
1923	1046.16	5.93	242.79	1294.88
1924	1046.16	188.97	254.60	1489.73
1925	1046.16	186.03	270.08	1502.27
1926	1046.16	186.03	282.27	1514.46
1927	1046.16	185.64	293.68	1525.48
1928	1055.26	185.64	311.83	1552.73
1929	1055.26	185.64	317.38	1558.28
1930	1055.26	185.64	328.51	1569.41
1931	1054.99	185.64	330.85	1571.48
1932	1214.49	185.64	375.64	1775.77
1933	1217.35	185.36	377.52	1780.23
1934	1217.35	185.36	381.75	1784.46
1935	1211.71	185.30	393.83	1790.84

Statement No. 17

Page No. 3

Sacramento Northern Railway**Operated Mileage End of Year**

	Miles of Road	Add'l Main Track	Yards and Sides	Total
1926	164.77	8.84	46.73	220.34
1927	164.09	8.84	48.77	221.70
1928	164.09	8.84	50.21	223.14
1929	269.44	15.70	66.63	351.77
1930	277.93	15.70	72.98	366.61
1931	276.41	15.72	74.57	366.70
1932	276.41	15.72	74.20	366.33
1933	276.34	15.72	76.13	368.19
1934	276.20	15.57	76.74	368.51
1935	276.20	15.57	79.20	370.97

(Testimony of Charles Elsey.)

Statement No. 17

Page No. 4

Tidewater Southern Railway Company

Operated Mileage End of Year				
	Miles of Road	Add'l Main Track	Yards and Sides	Total
1922	65.30	.....	12.19	77.49
1923	65.30	.....	12.19	77.49
1924	65.30	.....	11.72	77.02
1925	65.30	.....	11.72	77.02
1926	65.30	.....	13.14	78.44
1927	65.30	.....	17.10	82.40
1928	65.30	.....	17.10	82.40
1929	65.30	.....	17.36	82.66
1930	65.30	.....	17.19	82.49
1931	65.18	.....	21.36	86.54
1932	60.33	.....	20.78	81.11
1933	61.38	.....	20.75	82.13
1934	61.38	.....	20.63	82.01
1935	61.38	.....	20.62	82.00

Statement No. 17

Page No. 5

Deep Creek Railroad Company

Operated Mileage End of Year				
	Miles of Road	Add'l Main Track	Yards and Sides	Total
1922	46.00	.....	1.15	47.15
1923	46.00	.....	1.15	47.15
1924	46.00	.....	1.15	47.15
1925	46.00	.....	1.15	47.15
1926	46.00	.....	1.15	47.15
1927	46.00	.....	1.15	47.15
1928	46.00	.....	1.15	47.15
1929	46.00	.....	1.15	47.15
1930	46.00	.....	1.15	47.15
1931	46.00	.....	1.15	47.15
1932	46.00	.....	1.17	47.17
1933	46.00	.....	1.74	47.74
1934	46.00	.....	1.74	47.74
1935	46.00	.....	1.74	47.74

(Testimony of Charles Elsey.)

Statement No. 18

Page No. 1

**The Western Pacific Railroad Company
 Sacramento Northern Railway
 Tidewater Southern Railway Company
 Deep Creek Railroad Company**

RECAPITULATION

Total Locomotive Miles				
Year	Frt. and Mixed	Passenger	Freight Car Miles	Passenger Train Car Miles
1922	2,182,088	1,472,956	58,867,417	10,126,116
1923	2,545,941	1,528,662	67,101,930	10,390,027
1924	2,609,544	1,470,370	76,041,188	9,941,886
1925	2,924,351	1,479,260	87,483,669	9,540,273
1926	3,045,265	1,473,898	94,373,532	11,385,398
1927	3,256,527	1,475,480	100,896,930	11,594,886
1928	3,594,632	1,515,229	111,178,294	11,938,429
1929	4,172,123	1,500,341	116,087,861	13,027,703
1930	4,240,463	1,489,510	119,735,402	12,713,485
1931	3,505,271	1,609,813	102,714,352	14,088,818
1932	3,073,937	1,057,767	91,758,883	9,448,409
1933	3,164,340	773,197	95,554,360	7,072,867
1934	3,692,955	735,495	110,856,907	6,999,019
1935	3,990,554	804,861	116,390,964	7,835,328

Note: Includes locomotive miles from 1929 to 1935, inclusive, and freight and passenger car miles from 1926 to 1935, inclusive, for Sacramento Northern Railway.

Includes locomotive miles from 1926 to 1935, inclusive, and freight and passenger car miles from 1922 to 1935, inclusive for Tidewater Southern Railway Company.

(Testimony of Charles Elsey.)

Statement No. 18

Page No. 2

The Western Pacific Railroad Company

Total Locomotive Miles				
Year	Frt. and Mixed	Passenger	Freight Car Miles	Passenger Train Car Miles
1922	2,172,924	1,472,956	58,426,569	9,981,190
1923	2,535,548	1,528,662	66,609,578	10,235,277
1924	2,596,809	1,470,370	75,494,996	9,829,101
1925	2,914,324	1,479,260	86,890,258	9,416,781
1926	2,972,976	1,473,898	91,794,743	9,454,247
1927	3,183,143	1,475,480	98,248,177	9,692,346
1928	3,523,976	1,515,229	108,407,403	10,094,436
1929	3,633,384	1,500,341	111,891,964	10,057,680
1930	3,577,185	1,489,510	116,494,460	9,789,650
1931	3,027,706	1,609,813	99,744,749	10,972,609
1932	2,681,703	1,057,767	89,381,751	7,423,831
1933	2,775,949	773,197	93,362,767	5,482,482
1934	3,260,729	735,495	108,540,206	5,200,056
1935	3,578,871	804,861	113,931,363	5,989,488

Statement No. 18

Page No. 3

Sacramento Northern Railway

Total Locomotive Miles				
Year	Frt. and Mixed	Passenger	Freight Car Miles	Passenger Train Car Miles
1926	Not available	None	1,955,451	1,811,406
1927	" "	"	1,990,048	1,783,683
1928	" "	"	2,060,859	1,723,733
1929	465,257	"	3,633,525	2,850,509
1930	585,071	"	2,596,891	2,807,741
1931	403,783	"	2,464,676	3,004,611
1932	321,883	"	1,913,408	1,966,678
1933	320,765	"	1,788,177	1,565,758
1934	340,743	"	1,763,445	1,794,193
1935	334,529	"	1,957,172	1,841,170

(Testimony of Charles Elsey.)

Statement No. 18

Page No. 4

Tidewater Southern Railway Company

Total Locomotive Miles				
Year	Frt. and Mixed	Passenger	Freight Car Miles	Passenger Train Car Miles
1922	Not available	None	419,999	135,762
1923	"	"	429,040	144,357
1924	"	"	430,797	103,290
1925	"	"	537,606	114,312
1926	62,929	"	598,996	110,385
1927	64,879	"	639,600	110,352
1928	61,080	"	689,169	110,684
1929	63,914	"	542,509	110,154
1930	72,267	"	630,712	110,154
1931	68,774	"	486,529	106,590
1932	65,315	"	442,391	52,864
1933	62,824	"	386,906	19,947
1934	86,713	"	534,903	
1935	71,072	"	490,930	

Statement No. 18

Page No. 5

Deep Creek Railroad Company

Total Locomotive Miles				
Year	Frt. and Mixed	Passenger	Freight Car Miles	Passenger Train Car Miles
1922	9,164	None	20,849	9,164
1923	10,393	"	63,312	10,393
1924	12,735	"	115,395	9,495
1925	10,027	"	55,805	9,180
1926	9,360	"	24,342	9,360
1927	8,505	"	19,105	8,505
1928	9,576	"	20,863	9,576
1929	9,568	"	19,863	9,360
1930	5,940	"	13,339	5,940
1931	5,008	"	18,398	5,008
1932	5,036	"	21,333	5,036
1933	4,802	"	16,510	4,680
1934	4,770	"	18,353	4,770
1935	6,082	"	11,499	4,670

(Testimony of Charles Elsey.)

Statement No. 19

Page No. 1

The Western Pacific Railroad Company
 Sacramento Northern Railway*
 Tidewater Southern Railway Company
 Deep Creek Railroad Company

RECAPITULATION

UNITS OF ROLLING STOCK AND FLOATING EQUIPMENT
 OWNED IN SERVICE AT END OF YEAR

Year	Locomo- tives	Freight Train Cars†	Passgr. Train Cars	Company Service Equipment	Floating Equip- ment	Total
1922	144	6,005	12	229	4	6,394
1923	150	6,179	40	244	4	6,617
1924	160	6,456	60	250	5	6,931
1925	160	6,482	60	250	5	6,957
1926	178	6,762	107	277	5	7,329
1927	184	6,808	107	322	5	7,426
1928	186	6,789	111	311	6	7,403
1929	198	7,136	147	363	8	7,852
1930	193	7,132	147	356	8	7,836
1931	193	7,122	149	364	8	7,836
1932	193	7,089	149	383	8	7,822
1933	193	7,086	149	381	7	7,816
1934	188	6,892	127	366	7	7,580
1935	188	6,872	127	367	7	7,561

*Includes Sacramento Northern Railway from 1926 to 1935, inclusive, and San Francisco-Sacramento Railroad Company from 1929 to 1935, inclusive.

†Refrigerator cars leased to and maintained by P. F. E. Co. not included.

(Testimony of Charles Elsey.)

Statement No. 19

Page No. 2

The Western Pacific Railroad Company

**UNITS OF ROLLING STOCK AND FLOATING EQUIPMENT
OWNED IN SERVICE OF THIS COMPANY AT END OF YEAR**

Year	Locomo- tives	Freight Train Cars*	Passgr. Train Cars	Company Service Equipment	Floating Equipment	Total*
1922	139	6,002	8	228	4	6,381
1923	145	6,176	36	242	4	6,603
1924	155	6,453	56	249	5	6,918
1925	155	6,479	57	249	5	6,945
1926	160	6,453	57	253	5	6,928
1927	164	6,498	57	299	5	7,023
1928	164	6,479	61	298	6	7,008
1929	169	6,818	61	297	6	7,351
1930	167	6,814	61	303	6	7,351
1931	167	6,806	61	309	6	7,349
1932	167	6,793	61	309	6	7,336
1933	167	6,790	61	308	5	7,331
1934	163	6,758	61	306	5	7,293
1935	163	6,738	61	307	5	7,274

*Refrigerator cars leased to and maintained by P. F. E. Co. not included.

Statement No. 19

Sacramento Northern Railway

Page No. 3

**UNITS OF ROLLING STOCK AND FLOATING EQUIPMENT
OWNED IN SERVICE OF THIS COMPANY AT END OF YEAR**

Year	Locomo- tives	Freight Train Cars	Passgr. Train Cars	Company Service Equipment	Floating Equipment	Total
1926	13	306	46	22	.....	387
1927	15	307	46	21	.....	389
1928	17	307	46	11	.....	381
1929	24	315	82	64	2	487
1930	22	315	82	51	2	472
1931	22	312	84	54	2	474
1932	22	292	84	73	2	473
1933	22	292	84	73	2	473
1934	21	131	65	59	2	278
1935	21	131	65	59	2	278

(Testimony of Charles Elsey.)

Statement No. 19

Page No. 4

Tidewater Southern Railway Company

UNITS OF ROLLING STOCK OWNED IN SERVICE OF THIS
COMPANY AT END OF YEAR

Year	Locomo- tives	Freight Train Cars	Passenger Train Cars	Company Service Equipment	Total
1922	3	1	3	1	8
1923	3	1	3	1	8
1924	3	1	3	1	8
1925	3	1	3	1	8
1926	3	1	3	1	8
1927	3	1	3	1	8
1928	3	1	3	1	8
1929	3	1	3	1	8
1930	3	1	3	1	8
1931	3	3	3	—	9
1932	3	3	3	—	9
1933	3	3	3	—	9
1934	3	2	—	1	6
1935	3	2	—	1	6

(Testimony of Charles Elsey.)

Statement No. 19

Page No. 5

Deep Creek Railroad Company**UNITS OF ROLLING STOCK OWNED IN SERVICE OF THIS
COMPANY AT END OF YEAR**

Year	Locomo- tives	Freight Train Cars	Passenger Train Cars	Company Service Equipment	Total
1922	2	2	1	—	5
1923	2	2	1	1	6
1924	2	2	1	—	5
1925	2	2	—	—	4
1926	2	2	1	1	6
1927	2	2	1	1	6
1928	2	2	1	1	6
1929	2	2	1	1	6
1930	1	2	1	1	5
1931	1	1	1	1	4
1932	1	1	1	1	4
1933	1	1	1	—	3
1934	1	1	1	—	3
1935	1	1	1	—	3

(Testimony of Charles Elsey.)

Statement No. 20
Page No. 1

The Western Pacific Railroad Company and Subsidiaries

STATEMENT SHOWING DATE AND COST OF ACQUISITION OR COMPLETION OF VARIOUS IMPORTANT TRACKAGE NOW INCLUDED IN THE SYSTEM AS OF DECEMBER 31, 1935

The Western Pacific Railroad Company Acquisitions Name	Present Length	Date Acquired (A) or Constructed (C)		Cost
Branch — Hawley to Loyalton, California	12.79 Mi.	December 1, 1916 (A)	Note	
Branch — Gulling Junction to Gulling, California	2.41 Mi.	December 1, 1916 (A)	Note	
Railroad — Tidewater Southern Railway Company, California				
Branch — Grants-Tooele, Utah	61.38 Mi.	March, 1917 (A)		\$1,223,848.94
Railroad — Deep Creek Railroad Company, Utah	15.52 Mi.	December 16, 1917 (C)		288,054.32
Branch — Ellerbeck, Utah	46.00 Mi.	January 19, 1918 (A)		450,000.00
Branch — Reno—California and Nevada	5.85 Mi.	January 31, 1918 (C)		77,020.52
Branch — Davies Mills, California	33.11 Mi.	February 11, 1918 (A & C)		1,250,298.83
Branch — Calpine, California	1.44 Mi.	June 14, 1918 (C)		33,959.93
Branch — Bidwell, California	12.62 Mi.	January 31, 1922 (C)		465,538.66
Branch — Niles-San Jose, California	2.51 Mi.	May 14, 1922 (C)		186,899.52
Railroad — Sacramento Northern Railway, California	23.07 Mi.	December 21, 1922 (C)		2,520,217.54
Railroad — Central California Traction Company, California*	158.12 Mi.	November 5, 1925 (A)		4,975,456.13
Branch — Terminus, California	53.78 Mi.	January 1, 1928 (A)		848,999.68
	7.92 Mi.	January 5, 1928 (C)		580,215.59
Forward	436.52 Mi.			\$12,900,509.66

(Testimony of Charles Elsey.)

Statement No. 20
Page No. 2

The Western Pacific Railroad Company Acquisitions Name	Present Length	Date Acquired (A) or Constructed (C)		Cost
Branch —Oregon Short Line Connection, Nevada.....	1.18 Mi.	June 30, 1929 (C)		110,092.94
Branch —Northern California Extension, California	106.54 Mi.	November 10, 1931 (C)		9,953,657.76
Railroad—Alameda Belt Line, California ¹	4.46 Mi.	September 15, 1932 (A & C)		471,697.97
<hr/>				
Total: The Western Pacific Railroad Company Acquisitions—Forward.....	548.70 Mi.			\$23,435,958.33

Note—\$35,100.00 was paid for all property of Boca & Loyalton Railway Company. Value of salvage recovered from abandoned portion and equipment exceeded this amount so no cost has been allocated to that portion of the road property retained.

*Central California Traction Company owned equally with Atchison, Topeka and Santa Fe Railroad Company and Southern Pacific Company.

*Alameda Belt Line owned equally with Atchison, Topeka and Santa Fe Railroad Company.

(Testimony of Charles Elsey.)

Statement No. 20
Page No. 3

Sacramento Northern Railway Acquisitions Name.	Present Length	Date Acquired (A) or Constructed (C)	Cost
Railroad—San Francisco-Sacramento Railroad, California	88.21 Mi.	January 1, 1929 (A)	\$ 1,924,572.19
Branch —Holland, California	15.78 Mi.	June 29, 1929 (C)	742,391.14
Branch —Pittsburg, California .....	.86 Mi.	May 31, 1930 (C)	131,434.79
Branch Vacaville, California	7.60 Mi.	August 31, 1930 (C)	335,273.53
Total: Sacramento Northern Railway Acquisitions	112.45 Mi.		\$ 3,133,671.65
GRAND TOTAL	661.15 Mi.		\$26,569,629.98

(Testimony of Charles Elsey.)

Statement No. 21

Page No. 1

The Western Pacific Railroad Company

**INCOME ACCOUNT, 1922 TO 1935, BOTH INCLUSIVE
NOTES**

1. Northern California Extension. Refer to Note 2 on Statement No. 8.

2. Maintenance of Way & Structures and Maintenance of Equipment. Refer to Notes 3, 4, 5, 6 and 7 on Statement No. 8, Page 2.

3. Hire of Equipment-Net. Refer to Note 8 on Statement No. 8.

4. For details of accruals to Non-Operating Income and Deductions from Gross Income see Statement No. 23.

5. For information as to cash advances made subsidiaries each year, see Statements Nos. 11 to 15, both inclusive.

6. Western Pacific Improvement Program: An improvement program which contemplated the expenditure of \$18,000,000 over a 5-year period was initiated in 1927 and partially carried out with the resultant expenditures shown below:

(Testimony of Charles Elsey.)

Maintenance					
	Way and Structures	Equipment	Total	Investment Accounts	Total
1927	\$ 324,218	\$ 363,386	\$ 687,604	\$ 707,110	\$1,394,714
1928	931,336	374,345	1,305,681	988,123	2,293,804
1929	488,024	587,306	1,075,330	836,575	1,911,905
1930	537,421	174,040	711,462	808,331	1,519,793
1931	110,339	12,396	122,735	534,339	657,074
1932	Cr. 56,246	144	Cr. 56,102	70,073	13,971
	\$2,335,092	\$1,511,617	\$3,846,710	\$3,944,551	\$7,791,261

Note: Of the originally contemplated \$18,000,000 program, \$8,000,000 was estimated as Operating Expense.

Statement No. 21

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The more important items of work accomplished under this Improvement Program are indicated below by years:

PRINCIPAL IMPROVEMENTS IN ROADWAY AND STRUCTURES

YEAR 1927

New 85-pound rail was laid for 50 miles south from Oroville, California, and 25 miles was laid in the Feather River Canyon between Oroville and Portola, California.

Banks were widened to the total extent of 96 miles, and the track between Wendover and Clive, Utah, was fully gravel ballasted.

A bridge consisting of four 150-foot and two 100-foot steel truss spans was constructed across the Yuba

(Testimony of Charles Elsey.)

River at Marysville, California, and 1400 feet of timber trestles between Winnemucca and Wells, Nevada, were replaced with steel and concrete structures.

About $8\frac{1}{2}$ miles of new passing tracks, side tracks and extensions to such existing tracks were constructed.

YEAR 1928

10 miles of new 85-pound rail was laid in the Feather River Canyon, 16 miles from Sacramento north, and 82 miles between Melrose, California (near Oakland) and Stockton—a total of 108 miles; and 412,000 rail anchors and 225,000 new tie plates were applied at various points.

Banks were widened in the Feather River Canyon for 39 miles and between Oakland and Sacramento for 131.5 miles.

The track between Stockton and Niles, California, for a distance of 63 miles was fully ballasted with crushed rock, and similar work was done on 10.5 miles of track in the Feather River Canyon.

1455 feet of timber trestles between Weso, Nevada, and Alazon, Nevada, were replaced with steel and concrete structures, including four 120-foot and one 160-foot steel bridges. At various other points 1005 feet of timber trestles were replaced with concrete structures.

New passing tracks, side tracks and extensions to such tracks aggregating $11\frac{1}{2}$ miles were constructed, and new section quarters were built at 13 points between Shafter, Nevada, and Salt Lake City.

(Testimony of Charles Elsey.)

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YEAR 1929

New 85-pound rail was laid at various points in the Feather River Canyon to the extent of 11.9 miles, and 91,350 rail anchors and 80,056 new tie plates were applied at various points during the year.

Banks were widened at various points to the total extent of 137.81 miles.

Track was fully ballasted with crushed rock between Oakland and Niles, 24.97 miles, and in the Feather River Canyon, 14.87 miles. The track between Burmester and Salt Lake City, 31.50 miles, was fully gravel ballasted.

Timber bridges aggregating 415 feet were replaced by two 120-foot and one 62-foot steel span bridges, and six single-span timber trestles aggregating 90 feet in length were replaced with concrete structures.

New passing tracks, side tracks and extensions to such tracks totalling 2 miles were constructed.

An extension to the Portola Depot and Hotel building was completed, providing 25 additional sleeping rooms and additional office and depot space, and a new modern commissary building was constructed at Oakland.

YEAR 1930

Rail between Ellerbeck and Salt Lake City, 37 miles, was renewed with new 85-pound section.

Banks were widened at various points to the extent of 177.9 miles, and 45.72 miles of track between

(Testimony of Charles Elsey.)

Stockton and Sacramento was fully ballasted with crushed rock, and, similarly, 20.99 miles of track in the Feather River Canyon. Gravel ballast was used on 19 miles of track between Delle and Burmester, Utah.

285 feet of timber trestles were replaced with concrete structures, and the portals of 3 tunnels and 262 lineal feet of timber lining in tunnels were replaced with concrete.

There was constructed 1.24 miles of passing track extensions.

A new freight depot at Blairsden, California, was constructed, and the passenger station was enlarged and modernized, and a new agent's dwelling was constructed.

YEAR 1931

Track between Cluro and Tonka, Nevada, and between Elburz and Alazon, Nevada, aggregating 60 miles, was relayed with new 110-pound rail.

Bank widening of 70 miles of track was completed between Reno Junction and Floka, Nevada, and 27 miles of gravel ballast was applied between Knolls and Delle, Utah.

Two concrete portals and 96 feet of concrete lining was placed at Tunnel 36, and 18 feet of concrete lining was placed at Tunnel 31.

Filling of certain low lands owned in San Francisco was completed, providing 40 acres of desirable industrial property adjoining rail and deep water shipping facilities.

(Testimony of Charles Elsey.)

PRINCIPAL IMPROVEMENTS IN EQUIPMENT

As indicated in the following statement, various classes of freight cars were rehabilitated and improved:

	1927	1928	1929	1930	1931	Total
Box cars rebuilt.....	622	345	542	210	.....	1719
Box cars converted to Stock cars.....	20	180	.....	.....	.....	200
Flats, new steel center sills.....	7	93	75	68	.....	243
Tank cars, heavy repairs	35	20	.....	.....	.....	55
Gondolas, heavy repairs and doors .....	.....	207	500	71	.....	778
Stock cars, heavy repairs .....	.....	36	182	.....	.....	218
TOTAL	684	881	1299	349	.....	3213

In addition to work on freight cars outlined above, important improvements were made to locomotives by installation of thermic syphons, feedwater heaters, superheaters, and various other economy devices. The operating expense of such work is included in Maintenance of Equipment for the period 1927 to 1931, inclusive.

THE WESTERN PACIFIC RAILROAD COMPANY
INCOME ACCOUNT - YEARS 1922 TO 1935, BOTH INCLUSIVE

	Year 1922	Year 1923	Year 1924	Year 1925	Year 1926	Year 1927	Year 1928	Year 1929	Year 1930	Year 1931
WHEELS OF ROAD OPER. END OF YEAR	1,042.40	1,042.00	1,042.00	1,042.00	1,042.00	1,042.00	1,051.78	1,051.78	1,051.78	1,051.81
OPERATING REVENUE										
Freight	\$ 9,479,292.20	\$10,512,456.68	\$10,974,221.95	\$12,337,076.22	\$12,961,371.30	\$13,424,323.07	\$14,647,020.08	\$14,227,797.25	\$15,794,226.27	\$11,079,222.99
Passenger	2,150,177.07	2,424,229.05	2,022,129.72	1,979,720.45	1,831,028.64	1,672,442.19	1,494,848.08	1,370,102.71	1,021,127.51	772,731.63
Mail	72,025.00	67,901.24	64,212.51	63,999.81	62,990.28	62,999.87	67,878.22	109,027.79	74,540.22	60,641.18
Express	402,612.45	444,345.79	455,300.13	398,227.24	318,999.68	323,266.71	352,110.27	321,894.43	329,240.79	229,220.28
Dining Car, Hotel & Restaurant	220,142.09	222,222.13	244,074.28	220,101.06	221,222.90	244,330.17	222,422.08	242,422.12	212,212.22	174,222.22
Miscellaneous	122,422.24	112,422.22	122,122.22	122,222.22	122,222.22	122,222.22	122,222.22	122,222.22	122,222.22	122,222.22
Total	\$12,302,242.32	\$14,122,222.22	\$14,222,222.22	\$12,222,222.22	\$12,222,222.22	\$12,222,222.22	\$12,222,222.22	\$12,222,222.22	\$12,222,222.22	\$12,222,222.22
OPERATING EXPENSE										
Ordinary M.W. & S.	\$ 1,970,510.12	\$ 2,222,004.68	\$ 2,722,222.22	\$ 2,222,004.12	\$ 2,272,222.12	\$ 2,722,222.12	\$ 2,222,222.12	\$ 2,222,222.12	\$ 2,222,222.12	\$ 2,222,222.12
Improvement Program Charges	2,222,222.12	2,222,004.68	2,722,222.22	2,222,004.12	2,272,222.12	2,722,222.12	2,222,222.12	2,222,222.12	2,222,222.12	2,222,222.12
Total M.W. & S.	4,192,732.24	4,444,009.36	5,444,444.44	4,444,008.24	4,544,444.24	5,444,444.24	4,444,444.24	4,444,444.24	4,444,444.24	4,444,444.24
Ordinary M. & S. (Inc. Dep. & Retire.)	2,222,222.12	2,222,004.68	2,722,222.22	2,222,004.12	2,272,222.12	2,722,222.12	2,222,222.12	2,222,222.12	2,222,222.12	2,222,222.12
Improvement Program Charges	2,222,222.12	2,222,004.68	2,722,222.22	2,222,004.12	2,272,222.12	2,722,222.12	2,222,222.12	2,222,222.12	2,222,222.12	2,222,222.12
Total M. & S.	4,444,444.24	4,444,009.36	5,444,444.44	4,444,008.24	4,544,444.24	5,444,444.24	4,444,444.24	4,444,444.24	4,444,444.24	4,444,444.24
Traffic	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12
Transportation-Mail Line	4,222,222.12	4,222,222.12	4,222,222.12	4,222,222.12	4,222,222.12	4,222,222.12	4,222,222.12	4,222,222.12	4,222,222.12	4,222,222.12
Miscellaneous Operations	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12
General	422,222.12	422,222.12	422,222.12	422,222.12	422,222.12	422,222.12	422,222.12	422,222.12	422,222.12	422,222.12
Trans. for Investment	122,222.12	122,222.12	122,222.12	122,222.12	122,222.12	122,222.12	122,222.12	122,222.12	122,222.12	122,222.12
Total Op. Exp.	\$ 9,537,120.27	\$10,537,120.27	\$11,477,120.27	\$11,337,120.27	\$11,337,120.27	\$11,337,120.27	\$11,337,120.27	\$11,337,120.27	\$11,337,120.27	\$11,337,120.27
Net Rev. from Op. Exp.	\$ 2,765,122.05	\$ 3,585,122.05	\$ 2,745,122.05	\$ 7,785,122.05	\$ 7,785,122.05	\$ 7,785,122.05	\$ 7,785,122.05	\$ 7,785,122.05	\$ 7,785,122.05	\$ 7,785,122.05
M.W. Tax Accruals	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12
Unallocable M.W. Rev.	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12
Railway Operating Income	\$ 1,704,422.05	\$ 3,140,677.81	\$ 2,300,677.81	\$ 7,340,677.81	\$ 7,340,677.81	\$ 7,340,677.81	\$ 7,340,677.81	\$ 7,340,677.81	\$ 7,340,677.81	\$ 7,340,677.81
Hire of Equipmt. Net Cr.	\$ 222,222.12	\$ 222,222.12	\$ 222,222.12	\$ 222,222.12	\$ 222,222.12	\$ 222,222.12	\$ 222,222.12	\$ 222,222.12	\$ 222,222.12	\$ 222,222.12
Joint Facility Net Cr.	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12	222,222.12
Net Railway Oper. Income	\$ 1,260,000.00	\$ 2,700,000.00	\$ 2,000,000.00	\$ 7,000,000.00	\$ 7,000,000.00	\$ 7,000,000.00	\$ 7,000,000.00	\$ 7,000,000.00	\$ 7,000,000.00	\$ 7,000,000.00
NON-OPERATING INCOME										
Rental of Property	\$ 72,507.60	\$ 22,142.37	\$ 104,244.05	\$ 107,222.22	\$ 111,747.22	\$ 112,122.22	\$ 112,122.22	\$ 112,122.22	\$ 112,122.22	\$ 112,122.22
Interest Accruals	422,222.12	422,222.12	422,222.12	422,222.12	422,222.12	422,222.12	422,222.12	422,222.12	422,222.12	422,222.12
Miscellaneous	2.00	2.00	10,122.00	222.22	222.22	222.22	222.22	222.22	222.22	222.22
Total Non-Operating Income	\$ 512,327.57	\$ 422,222.12	\$ 522,222.12	\$ 522,222.12	\$ 522,222.12	\$ 522,222.12	\$ 522,222.12	\$ 522,222.12	\$ 522,222.12	\$ 522,222.12
GROSS INCOME	\$ 2,479,122.05	\$ 3,440,677.81	\$ 2,822,222.05	\$ 7,862,222.05	\$ 7,862,222.05	\$ 7,862,222.05	\$ 7,862,222.05	\$ 7,862,222.05	\$ 7,862,222.05	\$ 7,862,222.05
MISCELLANEOUS DEDUCTIONS										
Miscellaneous Rents	\$ 43,212.09	\$ 43,212.09	\$ 43,212.09	\$ 43,212.09	\$ 43,212.09	\$ 43,212.09	\$ 43,212.09	\$ 43,212.09	\$ 43,212.09	\$ 43,212.09
Miscellaneous Tax Accruals	77.50	77.50	77.50	77.50	77.50	77.50	77.50	77.50	77.50	77.50
Amortization of Discount Bonded Debt	100,222.12	100,222.12	100,222.12	100,222.12	100,222.12	100,222.12	100,222.12	100,222.12	100,222.12	100,222.12
Miscellaneous Charges to Income	14,222.22	14,222.22	14,222.22	14,222.22	14,222.22	14,222.22	14,222.22	14,222.22	14,222.22	14,222.22
Total Miscellaneous Deductions	\$ 157,733.91	\$ 157,733.91	\$ 157,733.91	\$ 157,733.91	\$ 157,733.91	\$ 157,733.91	\$ 157,733.91	\$ 157,733.91	\$ 157,733.91	\$ 157,733.91
AVAILABLE FOR INTEREST	\$ 2,321,388.14	\$ 3,282,943.90	\$ 2,664,488.14	\$ 7,704,488.14	\$ 7,704,488.14	\$ 7,704,488.14	\$ 7,704,488.14	\$ 7,704,488.14	\$ 7,704,488.14	\$ 7,704,488.14
Interest on Bonded Debt	\$ 1,212,047.08	\$ 1,422,222.12	\$ 1,722,222.12	\$ 1,722,222.12	\$ 1,722,222.12	\$ 1,722,222.12	\$ 1,722,222.12	\$ 1,722,222.12	\$ 1,722,222.12	\$ 1,722,222.12
Interest on Unbonded Debt	2,012.22	2,012.22	2,012.22	2,012.22	2,012.22	2,012.22	2,012.22	2,012.22	2,012.22	2,012.22
Total Interest Deductions	\$ 1,214,059.30	\$ 1,424,234.34	\$ 1,724,234.34	\$ 1,724,234.34	\$ 1,724,234.34	\$ 1,724,234.34	\$ 1,724,234.34	\$ 1,724,234.34	\$ 1,724,234.34	\$ 1,724,234.34
NET INCOME	\$ 1,107,328.84	\$ 1,858,709.56	\$ 940,253.80	\$ 6,000,253.80	\$ 6,000,253.80	\$ 6,000,253.80	\$ 6,000,253.80	\$ 6,000,253.80	\$ 6,000,253.80	\$ 6,000,253.80

Note: Figures in parentheses, viz: () denote red.

THE NORTHERN PACIFIC RAILROAD COMPANY
INCOME ACCOUNT - YEARS 1922 TO 1935, BOTH INCLUSIVE

N. P. R. R.
INCOME ACCOUNT

	Year 1982	Year 1983	Year 1984	Year 1985	Year 1986	Year 1987	Year 1988	Year 1989	Year 1990	Year 1991	Year 1992	Year 1993	Year 1994	Year 1995
Year	1,043.40	1,042.00	1,042.00	1,042.00	1,042.00	1,042.00	1,041.78	1,041.78	1,041.78	1,041.51	1,040.83	1,041.11	1,041.13	1,041.15
Current	\$ 9,476,398.20 2,180,177.09 73,039.44 405,915.45 288,142.09 123,422.84	\$10,513,435.46 2,484,228.05 87,901.28 444,243.79 258,083.13 415,422.85	\$10,976,281.95 2,082,199.78 84,513.51 435,300.13 284,074.38 353,127.22	\$12,337,078.28 1,979,780.48 83,599.81 388,257.34 228,101.06 325,222.92	\$12,981,371.30 1,881,088.66 83,990.28 318,909.68 231,368.70 320,372.47	\$13,434,393.07 1,872,642.19 83,897.67 282,059.71 244,330.17 705,719.24	\$14,047,030.88 1,694,645.08 87,875.23 283,110.97 243,688.15 739,122.81	\$14,287,797.85 1,370,103.71 105,057.78 281,994.63 243,688.15 859,842.88	\$15,796,386.97 1,081,137.61 74,280.22 289,280.78 218,215.29 739,422.92	\$11,079,282.99 772,731.33 88,641.18 289,280.78 176,282.60 257,737.25	\$ 9,488,228.42 382,048.87 88,324.66 104,264.78 91,381.28 474,472.21	\$10,011,781.40 879,837.17 88,324.66 44,848.28 84,824.13 422,142.24	\$11,288,641.61 288,213.14 87,894.68 84,824.13 84,824.13 222,422.77	\$12,800,246.15 371,787.70 46,377.01 78,424.64 80,922.84 181,244.24
	\$12,805,348.32	\$14,128,268.99	\$14,370,486.96	\$15,889,045.04	\$16,087,086.87	\$16,433,463.57	\$17,594,074.68	\$18,937,985.80	\$18,289,880.83	\$18,214,526.71	\$10,788,712.43	\$10,848,312.28	\$12,302,903.07	\$12,907,071.44
Debt & Retire.	\$ 1,970,310.18 1,970,310.18 2,219,372.12	\$ 2,288,004.68 2,288,004.68 2,371,888.72	\$ 2,780,367.47 2,780,367.47 2,819,307.64	\$ 2,238,096.12 2,238,096.12 2,272,337.18	\$ 2,272,337.18 2,272,337.18 2,319,741.78	\$ 2,789,641.96 234,217.92 2,555,424.04	\$ 2,413,377.23 831,328.97 2,584,706.20	\$ 2,685,068.11 682,084.88 2,773,053.23	\$ 2,072,440.78 557,421.44 2,118,328.81	\$ 2,008,194.74 110,328.81 2,118,328.81	\$ 1,388,086.05 84,948.88 1,331,948.88	\$ 1,888,773.81 1,888,773.81 1,888,773.81	\$ 1,888,164.97 1,888,164.97 1,888,164.97	\$ 2,389,189.44 2,389,189.44 2,147,437.99
	\$2,219,572.15 382,878.88 4,888,398.82 250,873.19 453,781.78 (14,288.29)	\$2,371,923.72 487,171.06 4,744,836.09 453,841.48 416,285.04 (42,288.29)	\$2,819,307.64 439,058.07 4,870,384.89 808,577.06 498,898.50 (42,288.29)	\$2,435,093.35 459,842.88 5,243,936.23 847,802.87 437,889.63 (42,288.29)	\$2,519,741.78 481,818.22 5,093,928.44 850,280.22 462,824.10 (42,288.29)	\$2,823,421.96 888,748.71 5,938,641.61 880,802.90 842,824.01 (42,288.29)	\$2,611,419.32 888,748.71 6,044,422.19 879,144.31 887,087.81 (109,822.43)	\$2,823,421.96 888,748.71 6,044,422.19 879,144.31 887,087.81 (109,822.43)	\$2,641,421.96 888,748.71 6,044,422.19 879,144.31 887,087.81 (109,822.43)	\$2,284,821.96 888,748.71 6,044,422.19 879,144.31 887,087.81 (109,822.43)	\$1,888,773.81 888,748.71 4,331,801.87 411,848.64 448,898.88 (42,288.29)	\$1,888,773.81 888,748.71 4,331,801.87 411,848.64 448,898.88 (42,288.29)	\$1,888,164.97 888,748.71 4,331,801.87 411,848.64 448,898.88 (42,288.29)	\$2,147,437.99 888,748.71 4,901,328.32 86,377.89 344,780.35 (10,288.29)
Debt	\$ 9,837,150.87 2,665,197.85 988,894.78 841.98	\$10,843,711.81 2,474,557.18 981,189.07 1,181.84	\$11,477,884.33 2,893,802.45 877,178.89 8,311.42	\$11,332,942.08 4,436,102.26 979,995.47 1,837.22	\$11,879,129.68 4,781,225.92 1,305,003.80 1,712.72	\$12,128,049.05 2,500,394.24 1,509,476.83 828.08	\$14,805,206.88 2,587,424.20 1,171,176.94 882.82	\$14,489,042.51 2,849,882.89 1,207,402.88 1,288.22	\$15,132,038.98 2,145,741.87 1,113,378.22 882.82	\$11,439,804.18 2,474,722.88 1,108,414.24 844.82	\$ 9,081,921.84 1,736,780.99 999,086.81 2,074.88	\$ 8,218,304.34 2,080,006.84 881,194.69 899.72	\$ 9,780,782.40 2,282,110.67 792,348.48 8,481.79	\$10,884,042.05 2,312,189.39 878,877.84 7,072.72
Income	\$ 1,704,460.95 336,991.55 73,878.13	\$ 2,822,807.73 580,183.00 60,808.32	\$ 2,008,718.04 981,872.49 43,210.97	\$ 2,284,469.88 870,155.97 175,873.80	\$ 3,474,009.82 842,878.70 219,717.04	\$ 1,804,114.33 284,419.51 282,749.41	\$ 2,815,799.11 93,074.49 272,124.73	\$ 1,981,124.76 875,441.07 866,960.15	\$ 2,082,004.09 348,626.49 284,682.85	\$ 287,953.93 322,982.12 210,680.28	\$ 736,887.88 322,982.12 180,017.43	\$ 1,196,111.63 472,123.84 178,938.87	\$ 1,784,340.80 606,496.34 181,877.78	\$ 1,626,175.89 744,071.97 134,209.49
	\$ 1,966,776.35	\$ 3,014,162.37	\$ 2,973,610.52	\$ 4,298,499.25	\$ 4,337,206.56	\$ 2,321,483.27	\$ 2,981,910.63	\$ 2,801,515.98	\$ 1,810,760.45	\$ 283,870.11	\$ 618,116.88	\$ 905,887.18	\$ 1,297,481.92	\$ 1,016,313.34
Debt	\$ 75,507.60 438,877.97 2.00	\$ 98,145.37 334,849.08 2.00	\$ 104,544.08 106,394.90 10,183.00	\$ 107,883.54 151,963.00 276.00	\$ 111,747.88 873,499.88 338.00	\$ 118,196.84 290,488.85 282.00	\$ 118,874.80 397,141.81 424.00	\$ 147,304.97 478,540.19 239.72	\$ 152,987.03 541,232.81 1,307.95	\$ 142,098.70 646,146.43 172.20	\$ 119,861.17 947,227.11 145.00	\$ 102,945.89 882,217.38 38.00	\$ 95,438.46 682,087.13 184.80	\$ 100,232.41 707,444.12 60.00
Debt	\$ 512,387.57	\$ 432,496.45	\$ 201,121.96	\$ 229,226.34	\$ 385,286.84	\$ 402,842.72	\$ 518,820.71	\$ 684,082.81	\$ 695,527.79	\$ 782,420.23	\$ 740,243.28	\$ 726,199.08	\$ 781,880.09	\$ 807,716.53
	\$ 2,479,183.92	\$ 3,446,658.78	\$ 2,874,732.48	\$ 4,557,728.79	\$ 4,722,789.90	\$ 2,784,486.08	\$ 3,088,891.34	\$ 3,123,609.89	\$ 2,604,888.84	\$ 1,081,690.84	\$ 1,278,380.16	\$ 1,884,084.24	\$ 2,049,102.01	\$ 1,824,029.87
Debt	\$ 43,516.09 77.80	\$ 43,908.88 79.80	\$ 43,545.37 163.30	\$ 42,609.39 322.85	\$ 43,870.72 1,404.86	\$ 43,884.32 2,282.92	\$ 43,888.32 8,188.83	\$ 45,008.83 14,871.84	\$ 45,573.44 15,599.72	\$ 44,632.46 28,262.31	\$ 46,830.41 87,389.88	\$ 80,722.16 38,045.42	\$ 48,737.61 48,312.93	\$ 40,425.89 46,582.82
Funded Debt	\$ 100,927.34 14,236.26	\$ 108,977.86 15,484.97	\$ 119,171.86 15,788.79	\$ 184,098.07 19,653.85	\$ 188,187.68 19,296.49	\$ 186,874.44 17,700.09	\$ 122,863.14 18,530.62	\$ 159,603.68 17,573.80	\$ 134,846.01 100,889.74	\$ 178,775.70 120,049.82	\$ 144,212.87 87,788.28	\$ 148,182.82 61,489.92	\$ 143,316.70 49,654.25	\$ 143,316.70 44,042.64
Debt	\$ 168,787.18	\$ 167,844.33	\$ 180,669.41	\$ 186,466.46	\$ 192,159.72	\$ 189,481.77	\$ 190,780.71	\$ 206,564.13	\$ 204,889.11	\$ 204,476.70	\$ 206,288.11	\$ 206,419.70	\$ 208,036.31	\$ 276,354.15
	\$ 2,320,406.74	\$ 3,278,614.43	\$ 3,084,083.07	\$ 4,371,029.13	\$ 4,540,630.18	\$ 2,554,944.26	\$ 2,904,110.63	\$ 2,919,085.74	\$ 2,309,389.13	\$ 655,884.95	\$ 972,131.06	\$ 1,387,806.84	\$ 1,781,086.30	\$ 1,547,875.72
	\$ 1,213,047.88 2,013.98	\$ 1,487,268.28 1,760.44	\$ 1,763,121.12 1,977.27	\$ 1,918,230.42 1,711.75	\$ 2,088,621.84 1,844.80	\$ 2,187,982.08 2,131.44	\$ 2,288,436.22 4,176.14	\$ 2,449,086.80 702.84	\$ 2,612,667.07 738.44	\$ 2,774,107.18 17,829.47	\$ 3,126,874.21 73,733.92	\$ 3,388,979.88 82,432.01	\$ 3,318,319.15 42,214.08	\$ 3,301,478.82 36,922.43
Debt	\$ 1,213,041.85	\$ 1,489,018.92	\$ 1,764,798.39	\$ 1,919,962.18	\$ 2,090,366.44	\$ 2,140,093.49	\$ 2,292,432.45	\$ 2,460,322.14	\$ 2,613,408.53	\$ 2,782,416.83	\$ 3,202,308.23	\$ 3,488,614.89	\$ 3,380,833.21	\$ 3,340,400.95
	\$ 1,105,345.16	\$ 1,819,795.51	\$ 1,526,244.98	\$ 2,431,066.95	\$ 2,470,283.74	\$ 304,880.90	\$ 613,378.27	\$ 468,693.68	\$ 504,006.40	\$ 2,137,161.88	\$ 2,230,177.13	\$ 2,087,807.73	\$ 1,990,467.01	\$ 1,792,725.23

es, viz.: () denote red.

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
NON-OPERATING INCOME														
Rental of property	\$ 75,000	\$ 98,145	\$ 104,544	\$ 107,000	\$ 111,747	\$ 112,198	\$ 112,875	\$ 147,805	\$ 152,967	\$ 142,099	\$ 119,863	\$ 102,947	\$ 99,488	\$ 100,233
Separately Operated Properties - Profit Central California Traction Co.									25,519					
Interest Accruals														
Interest on U.S. Govt. Liberty Loan Bonds	80,886	99,841	42,180											
Victory Loan Notes	48,595	80,401												
Sacramento Northern R.R. Bonds				31,089	199,835	239,832	280,943	280,974	280,974	280,974	280,974	280,974	280,974	280,974
Sacramento Northern Ry. Notes							848	78,922	102,806	180,808	180,808	201,888	240,417	240,417
Sacramento Northern Ry. Advances							2,451	33,978	82,893	98,484	129,971	131,886	189,845	189,994
Central California Traction Co. Bonds							80,998	21,812	22,888	19,881	15,710	12,124	14,821	13,928
Tidewater Southern Ry. Co. Notes	12,804	12,570	8,085											
Tidewater Southern Ry. Co. Advances						1,588	2,541	9,988	23,480	22,484	20,884	18,174	6,183	2,827
Deep Creek R.R. Co. Notes	2,475	2,000	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Deep Creek R.R. Co. Advances														
Clover Valley Lumber Co. Notes	2,100	2,100	1,940	2,100	1,800	1,380	1,488	800	880	800	147	212	868	1,074
Railway Express Agency, Inc., Advances														
U.S. Govt. Treasury Certificates	85,804													
Bank Balances	245,298	198,487	131,377	102,985	51,000	51,787	37,178	26,789	25,042	16,864	12,994	10,414	974	1,153
Deferred Purchase Contract Payments, and minor balances in accounts with individuals and companies, etc.	199	940	2,185	1,800	2,475	1,747	789	1,123	1,048	1,445	1,882	1,001	1,205	229
Overpayments of U.S. Govt. Income Tax							44,631	21,788						
Deferred payments of passenger divisions from Southern Pacific Co.	4,011													
Interest during construction on free funds expended for additions and betterments, and extensions				4,086	7,886	1,504	20,559	8,484	12,820	55,921	8,941	(Red) 92	60	235
Interest on payments made to McCloud River R.R. Co. for purchase of line, subsequently refunded				2,582	7,923								4,128	
Interest on San Francisco-Sacramento R.R. Co. Notes														
Total Interest Accruals:	426,879	534,349	186,396	151,085	273,499	280,489	397,148	476,840	541,286	645,146	640,227	658,217	688,057	707,444
Miscellaneous Income	2	2	10,123	272	229	226	444	222	1,202	172	122	22	122	40
Total Non-Operating Income:	\$ 512,288	\$ 482,496	\$ 201,128	\$ 289,227	\$ 385,584	\$ 402,942	\$ 515,881	\$ 284,064	\$ 734,147	\$ 788,420	\$ 780,343	\$ 768,159	\$ 781,680	\$ 807,717
DEDUCTIONS FROM GROSS INCOME														
Miscellaneous Rents	\$ 43,516	\$ 45,908	\$ 42,838	\$ 42,800	\$ 43,871	\$ 42,854	\$ 43,898	\$ 42,008	\$ 45,874	\$ 42,882	\$ 42,820	\$ 20,722	\$ 42,728	\$ 40,405
Miscellaneous Tax Accruals	78	80	183	289	1,405	2,222	2,189	14,071	12,800	20,928	27,400	28,045	42,513	48,883
Interest on Funded Debt														
On First Mortgage Bonds	1,193,248	1,312,480	1,248,571	1,425,148	1,545,370	1,665,938	1,841,842	1,822,900	1,992,821	2,122,200	2,242,243	2,464,806	2,464,806	2,464,806
On Equipment Trust Certificates Series "A"	19,200													
Series "B"		141,788	229,227	270,127	249,225	222,937	202,212	187,887	187,022	148,428	122,212	102,977	84,243	63,937
Series "C"			102,923	122,441	127,056	122,971	124,226	112,901	101,212	80,121	78,742	67,241	52,972	44,591
Series "D"								22,222	20,422	42,122	42,122	23,242	22,222	32,242
Western Pacific Railroad Corporation Advances				24,274	29,122	71,122	271,722	297,932	292,270	292,142	272,422	274,722	274,722	274,722
Sacramento Northern Railroad Advances					27,272	22,200								
Western Realty Company Advances														
Notes Payable - A.C. Jones Co.														
- Reconstruction Finance Corporation									2,272	3,722	2,200	2,200	2,200	2,200
Baldwin Locomotive Works - Lease of locomotives											142,227	242,220	242,220	242,220
											92,422	124,724	127,220	149,220
											22,224	22,277	22,277	19,717
Total Interest on Funded Debt:	1,212,028	1,457,268	1,763,121	1,912,220	2,022,222	2,127,222	2,222,222	2,422,222	2,612,227	2,724,227	3,122,274	3,222,272	3,212,212	3,301,478
Amortization of Discount on Funded Debt														
On First Mortgage Bonds	92,722	92,222	97,222	102,422	102,102	102,722	102,920	112,220	117,220	122,422	122,202	122,722	122,722	122,401
Equipment Trust Certificates Series "A"	2,121													
Series "B"		10,122	20,427	19,122	17,702	12,242	14,721	12,212	11,222	10,224	8,221	7,424	2,227	4,249
Series "C"			272	1,421	1,274	1,222	1,122	1,022	942	842	722	622	222	417
Series "D"								1,271	4,421	4,122	3,212	2,422	2,172	2,250
General and Refunding Mortgage Bonds														
Total Amortization of Discount on Funded Debt:	100,227	102,274	119,172	124,022	122,122	122,274	122,222	122,222	124,242	122,200	144,212	142,122	142,222	143,217
Interest on Unfunded Debt														
On Baldwin Locomotive Works - Lease of locomotives										11,222	22,120			
Notes Payable - Reconstruction Finance Corporation										22,702	12,227			
- The Railroad Credit Corporation												22,422	40,221	22,222
Underpayment of U.S. Govt. Income Tax										(Red) 22				
Miscellaneous	2,012	1,721	1,277	1,712	1,242	2,121	2,242	704	722	2,222	2,024	2,227	1,222	227
Total Interest on Unfunded Debt:	2,012	1,721	1,277	1,712	1,242	2,121	4,172	704	722	17,210	72,724	22,422	42,214	22,222
Miscellaneous Deductions														
Reconstruction Finance Corporation - Loss														

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942
NON-OPERATING INCOME															
Rental of property	\$ 75,808	\$ 98,148	\$ 104,844	\$ 107,889	\$ 111,747	\$ 112,188	\$ 112,875	\$ 147,805	\$ 152,887	\$ 142,089	\$ 119,841	\$ 102,847	\$ 89,888	\$ 100,835	
Separately Operated Properties - Profit Central California Traction Co.									28,819						
Interest Accruals															
Interest on U.S. Govt. Liberty Loan Bonds	80,888	89,841	42,180												
Victory Loan Notes	42,883	50,801		31,088	198,885	228,838	280,845	280,874	280,874	280,874	280,874	280,874	280,874	280,874	280,874
Sacramento Northern R.R. Bonds							848	78,882	108,808	120,808	120,808	120,808	120,808	120,808	120,808
Sacramento Northern Ry. Notes							2,431	23,878	22,888	22,888	22,888	22,888	22,888	22,888	22,888
Sacramento Northern Ry. Advances							20,888	21,812	22,888	18,881	18,710	18,710	18,710	18,710	18,710
Central California Traction Co. Bonds	12,804	12,870	4,083												
Tidewater Southern Ry. Co. Notes							1,888	2,841	2,888	22,880	22,884	22,884	22,884	22,884	22,884
Tidewater Southern Ry. Co. Advances	2,875	3,000	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Deep Creek R.R. Co. Notes															
Deep Creek R.R. Co. Advances															
Clover Valley Lumber Co. Notes	2,100	2,100	1,840	2,100	1,800	1,880	1,488	800	880	880	880	880	880	880	880
Railway Express Agency, Inc., Advances															
U.S. Govt. Treasury Certificates	65,804		131,877	106,883	31,000	31,787	37,178	26,788	25,042	18,884	18,884	18,884	18,884	18,884	18,884
Bank Balances	245,384	198,487													
Deferred Purchase Contract Payments, and minor balances in accounts with individuals and companies, etc.	189	940	2,185	1,600	2,475	1,747	788	1,188	1,042	1,042	1,042	1,042	1,042	1,042	1,042
Overpayments of U.S. Govt. Income Tax							44,881	21,788							
Deferred payments of passenger divisions from Southern Pacific Co.	4,011														
Interest during construction on free funds expended for additions and betterments, and extensions				4,086	7,486	1,204	20,888	8,484	12,880	22,881	2,841	(Red) 32		80	235
Interest on payments made to McCloud River R.R. Co. for purchase of line, subsequently refunded				2,585	7,983									4,188	
Interest on San Francisco-Sacramento R.R. Co. Notes															
Total Interest Accruals:	426,878	524,249	188,268	121,083	272,489	280,488	397,148	476,880	541,288	648,148	640,287	628,217	628,087	628,087	707,444
Miscellaneous Income	2	2	10,183	873	222	222	444	222	1,202	1,172	122	22	122	122	40
Total Non-Operating Income:	\$ 512,288	\$ 526,251	\$ 201,123	\$ 222,227	\$ 282,224	\$ 282,224	\$ 402,224	\$ 515,224	\$ 624,224	\$ 724,224	\$ 724,224	\$ 724,224	\$ 724,224	\$ 724,224	\$ 807,717
DEDUCTIONS FROM GROSS INCOME															
Miscellaneous Rents	\$ 43,812	\$ 43,808	\$ 42,838	\$ 42,800	\$ 42,871	\$ 42,884	\$ 42,888	\$ 42,808	\$ 42,874	\$ 42,888	\$ 42,880	\$ 42,880	\$ 42,880	\$ 42,880	\$ 40,805
Miscellaneous Tax Accruals	78	80	163	288	1,405	2,288	2,188	14,871	15,800	20,888	27,820	28,045	28,045	28,045	28,045
Interest on Funded Debt															
On First Mortgage Bonds	1,183,228	1,312,480	1,288,871	1,488,148	1,542,870	1,622,888	1,641,842	1,622,800	1,622,822	2,122,820	2,242,825	2,424,805	2,424,805	2,424,805	2,424,805
On Equipment Trust Certificates Series "A"	19,800														
On Equipment Trust Certificates Series "B"		141,788	228,227	270,187	242,225	222,227	202,212	187,227	187,225	182,228	122,212	102,277	84,225	63,227	
On Equipment Trust Certificates Series "C"			102,228	122,441	147,228	122,271	124,228	112,201	101,212	80,121	78,742	67,241	52,278	44,221	
On Equipment Trust Certificates Series "D"								22,228	20,228	22,242	22,122	22,242	22,242	22,242	
Western Pacific Railroad Corporation Advances				24,274	22,122	71,122	271,722	227,228	222,270	222,142	272,228	274,722	274,722	274,722	274,722
Sacramento Northern Railroad Advances					27,278	22,200	23,227								
Western Realty Company Advances									2,278	2,720	2,200	2,200	2,200	2,200	2,200
Notes Payable - A.C. Jones Co.											142,227	222,220	222,220	222,220	222,220
Reconstruction Finance Corporation											22,422	122,724	122,724	122,724	122,724
Baldwin Locomotive Works - Lease of locomotives											22,224	22,277	22,277	22,277	10,717
Total Interest on Funded Debt:	1,212,028	1,457,268	1,723,121	1,912,220	2,022,222	2,127,222	2,222,222	2,422,222	2,512,227	2,724,227	2,122,274	2,222,279	2,212,212	2,212,212	2,212,212
Amortization of Discount on Funded Debt															
On First Mortgage Bonds	28,722	28,228	27,228	202,442	102,102	102,722	102,220	112,220	117,220	122,422	122,202	122,722	122,722	122,722	122,722
On Equipment Trust Certificates Series "A"	2,141														
On Equipment Trust Certificates Series "B"		10,112	20,427	12,122	17,202	12,242	14,721	15,212	11,222	10,224	2,221	7,424	2,227	4,242	
On Equipment Trust Certificates Series "C"			272	1,421	1,222	1,222	1,122	1,022	942	842	722	2,222	2,222	2,222	417
On Equipment Trust Certificates Series "D"								1,271	4,421	4,122	2,212	2,222	2,172	2,222	2,222
General and Refunding Mortgage Bonds											222	227	227	227	
Total Amortization of Discount on Funded Debt:	100,227	102,274	112,172	124,222	122,122	122,274	122,222	122,222	124,222	122,220	124,212	122,122	122,222	122,222	122,217
Interest on Unfunded Debt															
On Baldwin Locomotive Works - Lease of locomotives										11,222	22,122	22,702	22,702	22,702	22,702
Notes Payable - Reconstruction Finance Corporation											12,227	22,422	22,422	22,422	22,422
The Railroad Credit Corporation												40,221	40,221	40,221	40,221
Underpayment of U.S. Govt. Income Tax	2,014	1,721	1,277	1,712	1,242	2,121	2,242	704	722	(Red) 44	2,222	2,222	2,222	2,222	227
Miscellaneous															
Total Interest on Unfunded Debt:	2,014	1,721	1,277	1,712	1,242	2,121	2,242	704	722	17,210	72,724	22,422	42,214	42,214	42,214
Miscellaneous Deductions															
Separately Operated Properties - Loss Alameda Belt Line Central California Traction Co.										122,222	127,222	12,127	22,222	22,222	12,222
Income tax on bond interest	12,222	11,724	14,022	14,272	12,222	12,271	10,742	10,012	9,224	10,022	10,114	10,022	222	222	222
Miscellaneous	1,412	2,721	4,722	4,222	2,422	2,422	2,222	7,221	2,271	7,222	7,222	12,224	2,222	2,222	2,222
Total Miscellaneous Deductions:	14,222	15,222	18,722	19,222	19,222	17,200	12,222	17,272	12,222	17,222	27,222	22,222	22,222	22,222	22,222
TOTAL DEDUCTIONS FROM GROSS INCOME:	\$ 1,312,227	\$ 1,559,224	\$ 1,842,457	\$ 2,038,222	\$ 2,222,222	\$ 2,222,222	\$ 2,422,222	\$ 2,512,222	\$ 2,622,222	\$ 2,822,222	\$ 2,222,222	\$ 2,222,222	\$ 2,222,222	\$ 2,222,222	\$ 2,222,222

(Testimony of Charles Elsey.)

Statement No. 24

Page No. 1

Sacramento Northern Railway

INCOME ACCOUNT, 1922 TO 1935, BOTH INCLUSIVE

NOTES

1. Sacramento Northern Railway is an electrically operated, standard gauge, freight and passenger railroad serving and connecting San Francisco and Oakland with Pittsburg, Vacaville, Sacramento, Woodland, Marysville, Colusa, Oroville, Chico and other Sacramento Valley points. Street railway service is also operated in Sacramento, Marysville, Yuba City and Chico. Revenues from city lines are included in "Miscellaneous" on Statement No. 25.

2. Sacramento Northern Railway was acquired by The Western Pacific Railroad Company as of November 5, 1925. That portion of the present road between Oakland and Sacramento (88.21 miles) was acquired as of January 1, 1929, from the San Francisco-Sacramento Railroad. The Holland Branch, 15.77 miles, and the Vacaville connecting line, 9.56 miles, were constructed and placed in service in June, 1929, and August, 1930, respectively.

3. Improvement Program: During the years 1928 to 1932, inclusive, a program of rehabilitation and extension and improvement was under way on this road, which resulted in the following charges:

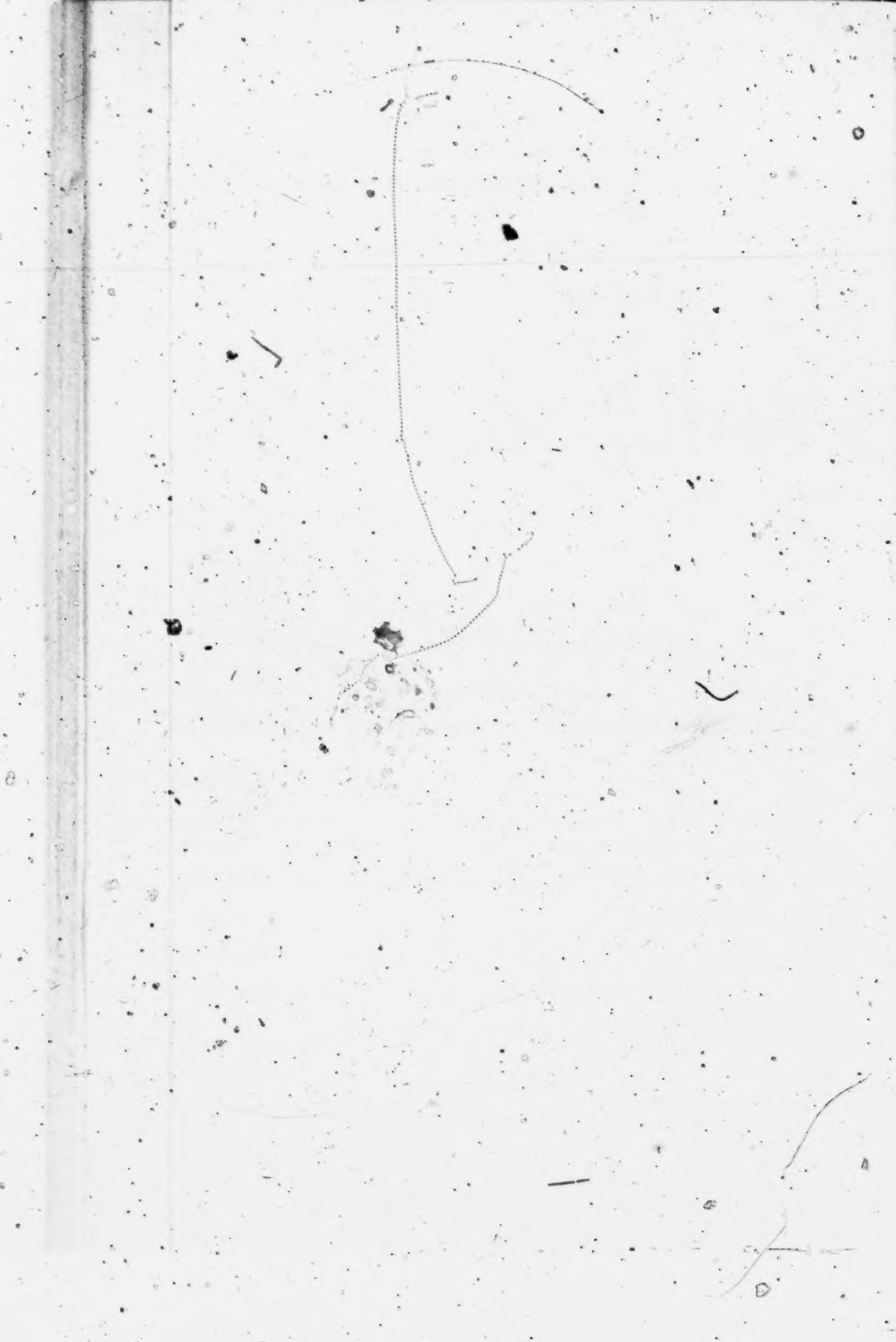
	Total	Operating	Capital
Road	\$2,146,956	\$189,545	\$1,957,411
Equipment	62,938	13,174	49,764
TOTAL	\$2,209,894	\$202,719	\$2,007,175

(Testimony of Charles Elsey.)

The Operating Expense shown in the foregoing tabulation is included in appropriate maintenance accounts, principally in 1930, and is largely due to improvements on the line between Oakland and Sacramento consisting of bank restoration, rail renewals and ballasting with gravel and crushed rock. Capital charges reflect, in part, the construction of the Holland Branch, Vacaville connecting line, Pittsburg Branch, and other added facilities.

4. Heavy tie renewals, with consequent increased material and labor accounts, were made during 1929, 1930 and 1931 to eliminate then accumulated deferred maintenance of this character.

5. Western Pacific revenues on traffic interchanged with Sacramento Northern Railway are shown on Statement No. 10.



(Testimony of Charles Elsey.)

Statement No. 26

Page No. 1

Sacramento Northern Railway

STATEMENT SHOWING CHARACTER OF NOTES EXECUTED BY SACRAMENTO NORTHERN RAILWAY PAYABLE TO THE WESTERN PACIFIC RAILROAD COMPANY

Date of Note—December 29, 1928.

Due—March 1, 1943.

Interest rate— $5\frac{3}{4}\%$ per annum.

Amount of note—\$1,372,733.95.

Authority for issue—Interstate Commerce Commission order dated November 21, 1928, Finance Docket 7124.

Date of Note—September 2, 1930.

Due—March 1, 1945.

Interest rate— $5\frac{1}{4}\%$ per annum.

Amount of note—\$1,553,742.77.

Authority for issue—Interstate Commerce Commission order dated August 21, 1930, Finance Docket 8415.

Date of Note—June 26, 1933.

Due—March 1, 1945.

Interest rate— 5% per annum.

Amount of note—\$1,598,267.66.

Authority for issue—Interstate Commerce Commission order dated June 12, 1933, Finance Docket 9997.

The aggregate amount of these three notes, \$4,524,744.38, cover that portion of \$5,645,733.95 cash

(Testimony of Charles Elsey.)

advanced by The Western Pacific Railroad Company prior to June 1, 1932, and represents the net charges of the Sacramento Northern Railway to its investment in Road and Equipment for the period January 1, 1928, to May 31, 1932, aggregating \$4,309,952.13 as stated in the following detail by primary accounts.

501	Engineering	\$ 51,484.06
502	Right of way	613,518.55
503	Other land used in operation	61,470.00
504	Grading	336,639.24
505	Ballast	288,938.16
506	Ties	123,753.80
507	Rails, fastenings and joints	468,818.38
508	Special work	55,594.42
510	Track and roadway labor	205,884.71
511	Paving	11,718.13
512	Roadway machinery and tools	8,330.50
513	Tunnels and subways	117,716.66
515	Bridges, trestles and culverts	274,032.35
516	Crossings, fences and signs	75,203.48
517	Signals and interlocking apparatus	84,677.57
518	Telephone and telegraph lines	15,478.02
519	Poles and fixtures	124,831.99
521	Distribution system	173,006.59
522	General office buildings	885.52
523	Shops and car houses	6,552.39
524	Stations, miscellaneous buildings and structures	151,563.99
525	Wharves and docks	37,476.28
526	Park and resort property	1,606.95
529	Other expenditures—Way and structures	29.37
Total Way and Structures		\$3,289,211.11
530	Passenger and combination cars	185,376.76
531	Freight express and mail cars	25,147.06
532	Service equipment	15,864.40

(Testimony of Charles Elsey.)

533	Electric equipment of cars	173,565.63
534	Locomotives	213,658.98
535	Floating equipment	129,943.03
536	Shop equipment	8,047.88
537	Furniture	2,654.34
538	Miscellaneous equipment	7,818.43
	Total Equipment	\$ 762,076.51
540	Substation buildings	16,270.54
543	Substation equipment	198,440.70
544	Transmission system	1,846.38
	Total Power	\$ 216,557.62
545	Franchises	600.65
546	Law expenditures	4,982.48
547	Interest during construction	33,692.36
549	Taxes	2,349.75
550	Miscellaneous	481.65
	Total General and Miscellaneous	\$ 42,106.89
	Grand Total	\$4,309,952.13
	Miscellaneous Physical Property	\$ 214,792.25

Also net charges for the same period to investment in Miscellaneous Physical Property aggregating \$214,792.25.

The expenditures for road and equipment were principally applied to acquisition of the San Francisco, Sacramento Railroad Company, construction of the Holland, Pittsburg and Vacaville branches, and main line improvement at various points.

Expenditures for Miscellaneous Physical Property were principally for non-operative facilities at various points leased to outside parties.

Accounting Department,
San Francisco, California,
April 8th, 1936.

(Testimony of Charles Elsey.)

Statement No. 27

**Tidewater Southern Railway Company
INCOME ACCOUNT, 1922 TO 1935, BOTH INCLUSIVE**

NOTES

1. Tidewater Southern Railway Company owns and operates a standard gauge steam railroad (formerly operated in part electrically) connecting Stockton, California, with Manteca, Escalon, Modesto and Turlock in the San Joaquin Valley. Passenger service was abandoned in 1932.

2. Improvement Program: During the years 1927 to 1932, inclusive, improvements to roadway and structures were made, such as rail renewals, ballasting, bank widening, bridge and trestle work, and other improvements which resulted in the following charges:

	Total	Operating	Capital
Roadway	\$203,983	\$68,516	\$135,467

All of the Operating Expenses involved are included in Maintenance of Way & Structures and principally in 1929, 1930 and 1931.

3. Bonded debt of the Tidewater Southern Railway Company was wholly extinguished through the Sinking Fund on March 31, 1935. Its only funded debt is a note in the amount of \$508,278.61 due The Western Pacific Railroad Company.

4. Western Pacific's revenues on traffic interchanged with Tidewater Southern are shown by Statement No. 10.

ILLINOIS CENTRAL RAILWAY COMPANY
INCOME ACCOUNT - YEARS 1922 TO 1935, BOTH INCLUSIVE

T. S.
INC. ACCT.

	Year 1922	Year 1923	Year 1924	Year 1925	Year 1926	Year 1927	Year 1928	Year 1929	Year 1930	Year 1931	Year 1932	Year 1933	Year 1934 (*)	Year 1935 (*)
MILES ROAD OPERATED END OF YEAR	65.30	65.30	65.30	65.30	65.30	65.30	65.30	65.30	65.30	65.18	60.33	61.38	61.38	61.38
OPERATING REVENUES														
Freight	\$ 182,874.76	\$ 203,749.91	\$ 202,107.19	\$ 245,791.89	\$ 291,017.82	\$ 313,444.34	\$ 331,514.92	\$ 389,412.63	\$ 428,744.40	\$ 273,483.30	\$ 235,160.68	\$ 308,822.78	\$ 271,518.80	\$ 272,479.74
Passenger	30,843.99	26,828.47	12,947.94	14,855.94	17,104.46	15,805.21	12,883.17	13,547.17	13,599.38	8,978.01	2,385.47	32.70	1.32	1.60
Mail	584.94	1,218.73	1,218.77	1,218.77	1,218.77	1,218.78	1,218.72	1,309.80	1,218.73	1,218.73	488.15	-	-	-
Express	9,328.93	2,627.19	1,697.56	1,798.69	1,794.90	1,430.18	1,559.54	1,405.02	1,445.89	1,145.43	227.16	1.92	-	-
Miscellaneous	1,423.13	1,938.34	1,444.27	5,692.87	3,094.71	2,185.32	2,185.08	3,079.00	3,262.61	2,037.14	4,012.43	3,178.98	4,609.92	7,161.82
Total	\$ 217,731.48	\$ 236,049.57	\$ 217,615.78	\$ 260,959.31	\$ 316,030.01	\$ 332,229.72	\$ 349,361.43	\$ 398,853.82	\$ 448,171.30	\$ 287,888.81	\$ 242,175.69	\$ 312,023.68	\$ 276,129.13	\$ 279,643.16
OPERATING EXPENSES														
Way & Structures	\$ 29,276.21	\$ 41,484.30	\$ 41,484.30	\$ 35,864.84	\$ 37,275.31	\$ 51,489.70	\$ 59,799.42	\$ 104,688.01	\$ 157,115.97	\$ 99,803.05	\$ 42,537.40	\$ 37,704.49	\$ 39,186.98	\$ 44,145.32
Equipment	15,982.72	14,823.20	16,942.54	15,786.70	16,983.92	17,700.17	16,780.41	15,388.19	14,634.73	12,038.76	7,993.06	5,405.02	9,920.41	5,751.38
Power	13,001.14	10,384.78	17,304.87	11,885.62	12,114.07	13,087.56	12,801.92	10,914.28	11,020.17	11,988.98	6,789.60	2,310.00	2,310.00	-
Conducting Transportation	88,692.97	59,448.62	69,242.86	78,400.89	78,878.45	85,942.86	91,842.22	86,823.00	93,043.47	79,804.94	60,843.94	52,648.97	61,997.09	64,078.88
Traffic	3,844.21	2,618.97	2,900.91	2,873.40	3,106.51	3,896.78	4,847.18	4,815.02	6,563.06	7,189.21	7,135.28	7,096.99	7,193.01	8,500.47
General & Miscellaneous	51,713.65	42,809.96	45,888.20	52,083.48	50,033.01	56,876.17	55,362.02	57,141.57	54,242.14	50,834.69	47,329.49	34,819.74	14,054.99	11,447.23
Transportation for Investment						(1,843.34)			(863.00)	(87.04)	(47.89)	(868.80)	(23.86)	(1.07)
Total Oper. Expenses	\$ 179,810.50	\$ 184,767.10	\$ 186,514.28	\$ 196,894.04	\$ 198,272.59	\$ 238,639.20	\$ 241,132.28	\$ 279,268.07	\$ 334,246.14	\$ 249,643.34	\$ 172,261.16	\$ 139,124.91	\$ 132,009.62	\$ 133,922.21
Net Rev. from Ry. Operations	\$ 37,920.98	\$ 51,282.47	\$ 45,101.50	\$ 64,065.27	\$ 117,757.42	\$ 103,590.43	\$ 108,229.08	\$ 29,585.85	\$ 113,925.14	\$ 28,045.47	\$ 70,012.73	\$ 72,898.77	\$ 144,119.61	\$ 145,720.95
Ry. Tax Accruals	17,487.06	16,815.42	15,151.72	16,593.64	24,306.17	30,699.01	30,860.88	29,097.48	22,502.97	24,804.63	16,959.99	14,699.10	13,808.81	18,448.98
Railway Operating Income	\$ 20,433.92	\$ 34,467.05	\$ 29,949.78	\$ 47,471.63	\$ 93,451.25	\$ 72,891.42	\$ 77,368.20	\$ 3,528.37	\$ 91,422.17	\$ 3,240.84	\$ 53,052.74	\$ 58,199.67	\$ 130,310.80	\$ 127,271.97
NON-OPERATING INCOME														
Rental of Property	\$ 2,308.78	\$ 2,041.92	\$ 6,583.51	\$ 5,617.03	\$ 3,629.92	\$ 4,298.28	\$ 3,118.28	\$ 8,280.93	\$ 7,834.54	\$ 9,684.75	\$ 2,425.90	\$ 2,004.61	\$ 2,617.26	\$ 3,981.59
Interest Accruals	704.00	1,304.36	1,154.34	868.76	1,778.68	2,034.44	2,316.59	2,175.99	1,737.04	1,894.67	1,282.39	1,648.40	2,617.26	538.26
Miscellaneous	173.40	222.32	17.08		72.89		35.24	6.00	-	10.00	15.00	-	-	279.51
Total Non-Operating Income	\$ 2,186.18	\$ 4,648.60	\$ 7,754.93	\$ 6,485.79	\$ 5,481.80	\$ 6,332.72	\$ 5,470.40	\$ 10,456.92	\$ 9,571.58	\$ 11,589.42	\$ 3,723.29	\$ 3,653.01	\$ 5,234.52	\$ 4,799.36
GROSS INCOME	\$ 22,620.10	\$ 39,115.65	\$ 37,704.71	\$ 53,957.42	\$ 98,933.05	\$ 79,224.14	\$ 82,838.60	\$ 14,005.29	\$ 101,003.75	\$ 14,830.26	\$ 56,776.03	\$ 61,852.68	\$ 135,545.32	\$ 132,071.33
MISCELLANEOUS DEDUCTIONS														
Hire of Equipment	\$ 3,877.00	\$ 3,877.00	\$ 3,876.00	\$ 3,876.00	\$ 3,876.00	\$ 3,876.00	\$ 3,876.00	\$ 3,876.00	\$ 3,876.00	\$ 3,876.00	\$ 3,876.00	\$ 3,876.00	\$ 3,876.00	\$ 3,876.00
Miscellaneous Items	2,678.70	2,517.22	2,345.34	2,163.76	1,971.33	1,786.38	1,578.59	1,346.80	1,136.31	998.22	897.42	1,411.04	1,971.14	1,955.51
Amortization of Discount	36.25	115.01	66.98	1,218.62	468.32		7.50	27.51	71.23	101.80	1,088.87	88.44	2,665.90	1,787.71
Total Miscellaneous Deductions	\$ 6,591.95	\$ 6,509.23	\$ 6,288.32	\$ 7,258.38	\$ 6,855.65	\$ 5,660.38	\$ 5,461.49	\$ 5,450.39	\$ 5,083.11	\$ 4,976.03	\$ 5,962.09	\$ 4,375.44	\$ 7,553.14	\$ 6,619.22
AVAILABLE FOR INTEREST	\$ 16,028.15	\$ 32,606.42	\$ 31,416.39	\$ 46,699.04	\$ 92,077.40	\$ 73,563.76	\$ 77,377.11	\$ 8,554.90	\$ 95,920.64	\$ 9,854.23	\$ 50,813.94	\$ 57,477.24	\$ 127,992.18	\$ 125,452.11
Interest on Funded Debt (To W. P. H. Co.)	\$ 19,010.44	\$ 17,880.00	\$ 16,841.66	\$ 15,485.03	\$ 14,023.99	\$ 12,710.69	\$ 10,859.71	\$ 9,998.27	\$ 23,419.51	\$ 28,433.75	\$ 30,853.54	\$ 31,228.67	\$ 31,537.37	\$ 28,041.03
Interest on Unfunded Debt (To W. P. H. Co.)	13,804.11	12,889.27	6,045.35	5,045.35	4,045.35	3,045.35	2,045.35	1,045.35	6,121.32	6,438.64	9,000.00	9,000.00	5,000.00	1,136.86
(Other)	23.85	17.98	47.61	32.00	13.38	10.57	23.93	23.85	7.89	192.16	28.85	4.95	11.06	11.82
Total Interest Deductions	\$ 32,838.40	\$ 30,787.25	\$ 22,934.62	\$ 19,517.03	\$ 14,037.37	\$ 14,266.34	\$ 16,445.12	\$ 20,145.24	\$ 31,548.72	\$ 34,864.55	\$ 39,882.61	\$ 34,233.62	\$ 36,548.42	\$ 29,193.71
NET INCOME	\$ (14,810.25)	\$ 2,819.17	\$ 8,481.77	\$ 34,182.01	\$ 84,039.63	\$ 59,300.42	\$ 60,931.91	\$ (10,590.34)	\$ 69,471.91	\$ (19,034.32)	\$ 16,933.39	\$ 23,244.06	\$ 98,443.76	\$ 96,258.40

(*) I.C.C. ordered that year 1934 accounts and subsequent be distributed in accordance with I.C.C. Classification of Accounts for Steam Railroads.

Note: Figures in parentheses, viz: () denote red.

(Testimony of Charles Elsey.)

Statement No. 28.1

Page No. 1

Tidewater Southern Railway Company**STATEMENT SHOWING CHARACTER OF NOTE EXECUTED BY TIDEWATER SOUTHERN RAILWAY COMPANY PAYABLE TO THE WESTERN PACIFIC RAILROAD COMPANY.**

Authority for Issue—Interstate Commerce Commission order dated June 12, 1933, Finance Docket 9998.

Date of Note—June 26, 1933.

Due—March 1, 1945.

Interest rate—5% per annum.

Amount of note—\$508,278.61.

The principal of the note covers that portion of \$619,000.00 cash advanced by The Western Pacific Railroad Company prior to June 1, 1932, and represents the net charges of the Tidewater Southern Railway Company to its investment in Road and Equipment, for the period January 1, 1927, to May 31, 1932, aggregating \$405,223.71, as stated in the following detail by primary accounts.

501	Engineering	\$ 5,695.01
502	Right of Way	16,150.24
503	Other land used in operation	13,943.94
504	Grading	12,204.33
505	Ballast	23,946.56
506	Ties	10,781.69
507	Rails, rail fastenings and joints	74,957.84
508	Special work	14,746.47
510	Track and roadway labor	28,608.34
511	Paving	10,687.97
512	Roadway machinery and tools	594.89

(Testimony of Charles Elsey.)

515	Bridges, trestles and culverts	27,391.13
516	Crossings, fences and signs	21,407.56
518	Telephone and telegraph lines	1,735.80
519	Poles and fixtures	5,294.34
521	Distribution system	Cr. 249.09
522	General office buildings	Cr. 67.90
523	Shops and car houses	Cr. 449.21
524	Stations, miscellaneous buildings	151,228.54
526	Park and resort property	Cr. 1,762.75
Total Way and Structures		\$416,845.70

Statement No. 28.1

Page No. 2

530	Passenger and combination cars	Cr. \$ 12,012.92
531	Freight express and mail cars	Cr. 1,897.44
532	Service equipment	666.05
533	Electric equipment of cars	Cr. 1.92
534	Locomotives	Cr. 63.62
537	Furniture	165.31
538	Miscellaneous equipment	982.75
Total Equipment		Cr. \$ 12,161.79
540	Substation buildings	220.00
546	Law expenditures	319.80
Total general and miscellaneous		\$ 539.80
Grand Total		\$405,223.71

Also net charges for the same period to investment in Miscellaneous Physical Property aggregating \$103,054.90.

The expenditures for road and equipment are principally account of reconstruction of Modesto Yards, construction of miscellaneous facilities and industry tracks, at Modesto and various points. Expenditures for Miscellaneous Physical Property were largely

(Testimony of Charles Elsey.)

for non-operative facilities at Modesto, Turlock, Hilmar and other points leased to outside parties.

Accounting Department,

April 8th, 1936,

San Francisco, Calif.

Statement No. 29

Deep Creek Railroad Company

INCOME ACCOUNT, 1921 TO 1935, BOTH INCLUSIVE

NOTES

Deep Creek Railroad Company owns and operates a standard gauge steam railroad running from Wendover, Utah, to Gold Hill, Utah, a distance of 44.6 miles.

Western Pacific's revenues on traffic interchanged with Deep Creek are shown on Statement No. 10.

2082

Statement No. 30

Deep Creek Railroad Company
INCOME ACCOUNTS—YEARS 1921 TO 1935, INCLUSIVE

D. C.
Inc. Acct.

	1921	1922	1923	1924	1925	1926	1927	1928
Total Railway Operating Revenues	\$26,935	\$14,896	\$42,385	\$71,670	\$40,268	\$18,097	\$13,248	\$11,413
Total Railway Operating Expenses	25,950	24,258	20,299	40,027	24,359	20,212	14,417	12,696
Net Revenue from Railway Operations	985	9,362*	22,086	31,643	15,909	2,115*	1,169*	1,283*
Railway Tax Accruals and Uncollectibles	6,167	6,013	5,181	5,220	5,395	7,448	5,753	5,028
Net Railway Operating Income	5,182*	15,75*	16,905	26,423	10,514	9,562*	6,922*	6,311*
Total Non-Operating Income (Including Equipment Rents)	1,229	249	603	255	197	169	161	163
Gross Income	3,953*	15,126*	17,508	26,678	10,711	9,393*	6,761*	6,148*
Miscellaneous Deductions								
Hire of Equipment	1,712	308	2,263	5,835	2,317	689	414	380
Joint Facility Rents	179	—	—	—	—	—	—	—
Miscellaneous	152	—	—	—	—	—	—	—
Total Miscellaneous Deductions	2,043	308	2,263	5,835	2,317	689	414	380
Available for Interest	5,996*	15,434*	15,245	20,843	8,394	10,082*	7,175*	6,528*
Interest on Funded Debt (To The Western Pacific Railroad Company)	—	—	—	—	—	2,700	2,700	2,700
Interest on Funded Debt (Other)	—	—	—	—	—	—	—	—
Interest on Unfunded Debt (To The Western Pacific Railroad Company)	3,000	3,000	3,000	2,700	2,700	—	—	—
Interest on Unfunded Debt (Other)	—	—	—	104	1*	—	—	4
Total Interest Deductions	3,000	3,000	3,000	2,804	2,699	2,700	2,700	2,704
Net Income	\$ 8,996*	\$18,434*	\$12,245	\$18,039	\$ 5,695	\$12,782*	\$ 9,875*	\$ 9,232

	1929	1930	1931	1932	1933	1934	1935	1936
Total Railway Operating Revenues	\$11,809	\$ 7,520	\$ 9,461	\$12,455	\$11,353	\$ 7,383	\$ 5,355	
Total Railway Operating Expenses	14,845	30,008	14,603	13,327	11,582	12,017	12,580	
Net Revenue from Railway Operations	3,036*	22,488*	5,142*	872*	229*	4,634*	7,225*	
Railway Tax Accruals and Uncollectibles	5,520	1,337	1,335	1,120	1,242	787	801	
Net Railway Operating Income	8,556*	23,825*	6,477*	1,992	1,471*	5,421*	8,026*	
Total Non-Operating Income (Including Equipment Rents)	237	163	12	57	10	6*	13	
Gross Income	8,319*	23,662*	6,465*	1,935*	1,461*	5,427*	8,013*	
Miscellaneous Deductions								
Hire of Equipment	382	615	365	830	88	197	91	
Joint Facility Rents	—	—	—	—	—	—	—	

Net Railway Operating Income	5,182*	15,375*	16,905	26,423	10,514	9,562*	6,922*	6,311*
Total Non-Operating Income (Including Equipment Rents)	1,229	249	603	255	197	169	161	163
Gross Income	3,953*	15,126*	17,508	26,678	10,711	9,393*	6,761*	6,148*
Miscellaneous Deductions								
Hire of Equipment	1,712	308	2,263	5,835	2,317	689	414	380
Joint Facility Rents	179	—	—	—	—	—	—	—
Miscellaneous	152	—	—	—	—	—	—	—
Total Miscellaneous Deductions	2,043	308	2,263	5,835	2,317	689	414	380
Available for Interest	5,996*	15,434*	15,245	20,843	8,394	10,082*	7,175*	6,528*
Interest on Funded Debt (To The Western Pacific Railroad Company)	—	—	—	—	—	2,700	2,700	2,700
Interest on Funded Debt (Other)	—	—	—	—	—	—	—	—
Interest on Unfunded Debt (To The Western Pacific Railroad Company)	3,000	3,000	3,000	2,700	2,700	—	—	—
Interest on Unfunded Debt (Other)	—	—	—	104	1*	—	—	4
Total Interest Deductions	3,000	3,000	3,000	2,804	2,699	2,700	2,700	2,704
Net Income	\$ 8,996*	\$18,434*	\$12,245	\$18,039	\$ 5,695	\$12,782*	\$ 9,875*	\$ 9,232

	1929	1930	1931	1932	1933	1934	1935	1936
Total Railway Operating Revenues	\$11,809	\$ 7,520	\$ 9,461	\$12,455	\$11,353	\$ 7,383	\$ 5,355	
Total Railway Operating Expenses	14,845	30,008	14,603	13,327	11,582	12,017	12,580	
Net Revenue from Railway Operations	3,036*	22,488*	5,142*	872*	229*	4,634*	7,225*	
Railway Tax Accruals and Uncollectibles	5,520	1,337	1,335	1,120	1,242	787	801	
Net Railway Operating Income	8,556*	23,825*	6,477*	1,992	1,471*	5,421*	8,026*	
Total Non-Operating Income (Including Equipment Rents)	237	163	12	57	10	6*	13	
Gross Income	8,319*	23,662*	6,465*	1,935*	1,461*	5,427*	8,013*	
Miscellaneous Deductions								
Hire of Equipment	382	615	365	830	88	197	91	
Joint Facility Rents	—	—	—	—	—	—	—	
Miscellaneous	—	—	—	—	—	—	—	
Total Miscellaneous Deductions	382	615	365	830	88	197	91	
Available for Interest	8,701*	24,277*	6,830*	2,765*	1,549*	5,624*	8,104*	
Interest on Funded Debt (To The Western Pacific Railroad Company)	2,700	2,700	2,720	2,895	2,912	3,298	3,774	
Interest on Funded Debt (Other)	—	—	—	—	—	—	—	
Interest on Unfunded Debt (To The Western Pacific Railroad Company)	—	—	—	—	—	—	—	
Interest on Unfunded Debt (Other)	—	—	—	—	—	—	1	
Total Interest Deductions	2,700	2,700	2,720	2,895	2,912	3,298	3,775	
Net Income	\$11,401*	\$26,977*	\$ 9,559*	\$ 5,660*	\$ 4,461*	\$ 8,922*	\$11,879*	

*Denotes red figures.

Office of the President,
San Francisco, Calif.

(Testimony of Charles Elsey.)

Statement No. 31

Central California Traction Company

INCOME ACCOUNT, 1928 TO 1935, INCLUSIVE

Central California Traction Company owns and operates a standard gauge, electrically operated railroad between Stockton and Sacramento, California, with a branch line from Lodi Junction to Lodi. Total road mileage, 53.78 miles.

The company is owned jointly and equally by The Western Pacific Railroad Company, The Atchison, Topeka & Santa Fe Railway, and the Southern Pacific Company. Parent companies have agreed to equally share any operating deficits or profits as well as advances for bond interest, sinking fund or Additions and Betterments.

Central California Traction Company
INCOME AND PROFIT AND LOSS ACCOUNT

	Year 1928	Year 1929	Year 1930	Year 1931	Year 1932	Year 1933	
Railway Operating Income							
Railway Operating Revenues	\$ 445,048.91	\$ 390,893.52	\$ 453,275.61	\$ 309,555.59	\$ 254,411.42	\$ 188,867.21	\$ 2
Railway Operating Expenses	435,103.04	441,620.56	418,225.08	390,248.84	304,236.18	206,925.57	1
Net Income (or Deficit) Railway Operations	\$ 9,945.87	\$ 50,727.04*	\$ 35,050.53	\$ 80,693.25*	\$ 49,824.76*	\$ 18,558.36*	\$
Taxes Assignable to Railway Operations	17,315.78	26,082.61	21,825.08	19,830.11	16,196.86	12,084.38	\$
Operating Income (or Loss)	\$ 7,369.91*	\$ 76,809.65*	\$ 13,225.45	\$ 100,523.36*	\$ 66,021.62*	\$ 30,642.74*	\$
Non-Operating Income							
Miscellaneous Rent Income	\$ —	\$ —	\$ —	\$ —	\$ 46.00	\$ —	\$
Net Income from Miscellaneous Physical Property	30.00	—	117.50	—	—	—	\$
Income from Funded Securities	—	—	—	—	—	—	\$
Income from Unfunded Securities and Accounts	650.00	1,011.07	729.90	1,048.59	860.74	933.30	\$
Contributions from Others:							
Atchison, Topeka & Santa Fe Ry. Proportion	—	56,455.47	28,819.26	65,308.43	53,568.68	29,996.87	\$
Southern Pacific Company Proportion	—	56,455.47	28,819.26	65,308.44	53,568.65	29,996.88	\$
The Western Pacific Railroad Company Proportion	—	56,455.48	28,819.25	65,308.44	53,568.65	29,996.88	\$
Miscellaneous Income	—	—	—	—	—	—	\$
Total Non-Operating Income	\$ 680.00	\$ 170,377.49	\$ 87,305.17	\$ 196,973.90	\$ 161,612.72	\$ 90,923.93	\$
Gross Income (or Loss)	\$ 6,689.91*	\$ 93,567.84	\$ 100,530.62	\$ 96,450.54	\$ 95,591.10	\$ 60,281.19	\$ 1
Deductions from Gross Income							
Miscellaneous Rents	\$ —	\$ —	\$ 100.00	\$ —	\$ 25.00	\$ 25.00	\$
Net Loss on Miscellaneous Physical Property	—	—	—	41.52	375.90	278.39	\$
Interest on Funded Debt	67,875.00	72,462.50	73,675.22	64,183.67	52,023.03	50,270.01	\$
Interest on Unfunded Debt	2,118.91	7,512.83	13,469.98	23,698.42	10,024.66	10.65	\$
Amortization of Discount on Funded Debt	13,241.83	13,241.88	13,241.78	11,399.47	9,369.54	9,039.50	\$
Miscellaneous Debits	602.78	350.63	43.64	80.67	102.26	27.50	\$
Total Deductions from Gross Income	\$ 83,838.52	\$ 93,567.84	\$ 100,530.62	\$ 99,403.75	\$ 71,920.39	\$ 59,651.05	\$
Net Income (or Loss) transferred to Credit (or Debit) of Profit and Loss	\$ 90,528.43*	\$ None	\$ None	\$ 2,953.21*	\$ 23,670.71	\$ 630.14	\$

*Denotes red figures.

Central California Traction Company
INCOME AND PROFIT AND LOSS ACCOUNT

	Year 1928	Year 1929	Year 1930	Year 1931	Year 1932	Year 1933	Year 1934	Year 1935	Total
Railway Operating Income									
Railway Operating Revenues	\$ 445,048.91	\$ 390,893.52	\$ 453,275.61	\$ 309,555.59	\$ 254,411.42	\$ 188,867.21	\$ 210,598.20	\$ 202,135.49	\$2,454,285.95
Railway Operating Expenses	435,103.04	441,620.56	418,225.08	390,248.84	304,236.18	206,925.57	186,280.60	193,889.86	2,576,529.73
Net Income (or Deficit) Railway Operations	\$ 9,945.87	\$ 50,727.04*	\$ 35,050.53	\$ 80,693.25*	\$ 49,824.76*	\$ 18,558.36*	\$ 24,317.60	\$ 8,245.63	\$ 122,243.78*
Taxes Assignable to Railway Operations	17,315.78	26,082.61	21,825.08	19,830.11	16,196.86	12,084.38	9,912.72	7,985.53	131,233.07
Operating Income (or Loss)	\$ 7,369.91*	\$ 76,809.65*	\$ 13,225.45	\$ 100,523.36*	\$ 66,021.62*	\$ 30,642.74*	\$ 14,404.88	\$ 260.10	\$ 253,476.85*
Non-Operating Income									
Miscellaneous Rent Income	\$ —	\$ —	\$ —	\$ —	\$ 46.00	\$ —	\$ —	\$ 13.50	\$ 84.50
Net Income from Miscellaneous Physical Property	30.00	—	117.50	—	—	—	—	—	147.50
Income from Funded Securities	—	—	—	—	—	—	—	—	—
Income from Unfunded Securities and Accounts	650.00	1,011.07	729.90	1,048.59	860.74	933.30	10.42	8.00	18.42
Contributions from Others:							5.01	—	5,238.61
Atchison, Topeka & Santa Fe Ry. Proportion	—	56,455.47	28,819.26	65,308.43	53,568.68	29,996.87	30,545.91	20,457.62	285,152.24
Southern Pacific Company Proportion	—	56,455.47	28,819.26	65,308.44	53,568.65	29,996.88	30,545.89	20,457.62	285,152.21
The Western Pacific Railroad Company Proportion	—	56,455.48	28,819.25	65,308.44	53,568.65	29,996.88	30,545.91	20,457.60	285,152.21
Miscellaneous Income	—	—	—	—	—	—	83.00	16.83	99.83
Total Non-Operating Income	\$ 680.00	\$ 170,377.49	\$ 87,305.17	\$ 196,973.90	\$ 161,612.72	\$ 90,923.93	\$ 91,749.64	\$ 61,422.67	\$ 861,045.52
Gross Income (or Loss)	\$ 6,689.91*	\$ 93,567.84	\$ 100,530.62	\$ 96,450.54	\$ 95,591.10	\$ 60,281.19	\$ 106,154.52	\$ 61,682.77	\$ 607,568.67
Deductions from Gross Income									
Miscellaneous Rents	\$ —	\$ —	\$ 100.00	\$ —	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 200.00
Net Loss on Miscellaneous Physical Property	—	—	—	41.52	375.90	278.39	229.87	338.33	1,264.01
Interest on Funded Debt	67,875.00	72,462.50	73,675.22	64,183.67	52,023.03	50,270.01	48,462.24	46,587.93	475,539.60
Interest on Unfunded Debt	2,118.91	7,512.83	13,469.98	23,698.42	10,024.66	10.65	3.46	3.87	56,842.78
Amortization of Discount on Funded Debt	13,241.83	13,241.88	13,241.78	11,399.47	9,369.54	9,039.50	8,718.33	8,381.07	86,633.40
Miscellaneous Debits	602.78	350.63	43.64	80.67	102.26	27.50	25.50	32.01	1,264.99
Total Deductions from Gross Income	\$ 83,838.52	\$ 93,567.84	\$ 100,530.62	\$ 99,403.75	\$ 71,920.39	\$ 59,651.05	\$ 57,464.40	\$ 55,368.21	\$ 621,744.78
Net Income (or Loss) transferred to Credit (or Debit) of Profit and Loss	\$ 90,528.43*	\$ None	\$ None	\$ 2,953.21*	\$ 23,670.71	\$ 630.14	\$ 48,690.12	\$ 6,314.56	\$ 14,176.11*

Central California Traction Company
INCOME AND PROFIT AND LOSS ACCOUNT

	Year 1928	Year 1929	Year 1930	Year 1931	Year 1932	Year 1933
Profit and Loss Account						
Credits						
Credit Balance at Beginning of Year	\$1,743,290.55	\$1,652,222.53	\$1,652,222.53	\$1,598,067.53	\$1,598,067.53	\$1,625,324.81
Credit Balance Transferred from Income Account	—	—	—	—	23,670.71	630.14
Profit on Road and Equipment Sold	—	—	—	—	10.00	—
Donations	—	—	—	—	—	—
Miscellaneous Credits	—	—	—	21,640.55	35,432.42	4,973.05
Debits						
Debit Balance Transferred from Income Account	90,528.43	—	—	2,953.21	—	—
Appropriations of Surplus for Investment in Physical Property	—	—	—	—	—	—
Loss on Road and Equipment Retired	539.59	—	—	565.04	5,545.40	4,791.82
Delayed Income Debits	—	—	—	—	24,976.32	—
Miscellaneous Debits	—	—	54,155.00	18,122.30	1,334.13	811.37
Balance Carried Forward to Balance Sheet	1,652,222.53	1,652,222.53	1,598,067.53	1,598,067.53	1,625,324.81	1,625,324.81
Memorandum						
Income and Profit and Loss Debits not contributed through income by parent companies:						
Year 1928—Income and Profit and Loss Deficit	\$ 91,068.02	—	—	—	—	—
Years 1930 and 1932—Adjustment of Discount on Capital Stock	26,897.72	—	—	—	—	—
Year 1934—Adjustment of charge against parent companies in year 1932 for under accrual of depreciation prior to January 1, 1929	36,619.43	—	—	—	—	—
Total	\$ 154,585.17	—	—	—	—	—

Central California Traction Company
INCOME AND PROFIT AND LOSS ACCOUNT

	Year 1928	Year 1929	Year 1930	Year 1931	Year 1932	Year 1933	Year 1934	Year 1935	Total
Profit and Loss Account									
Credits									
Beginning of Year	\$1,743,290.55	\$1,652,222.53	\$1,652,222.53	\$1,598,067.53	\$1,598,067.53	\$1,625,324.81	\$1,625,324.81	\$1,588,705.38	\$1,743,290.55
Transferred from Income Account	—	—	—	—	23,670.71	630.14	48,690.12	6,314.56	79,305.53
and Equipment Sold	—	—	—	—	10.00	—	3.00	—	13.00
Credits	—	—	—	21,640.55	35,432.42	4,973.05	8,847.48	1,511.17	72,404.67
Debits									
Transferred from Income Account	90,528.43	—	—	2,953.21	—	—	—	—	93,481.64
of Surplus for Investment in Physical	—	—	—	—	—	—	—	—	—
and Equipment Retired	539.59	—	—	565.04	5,545.40	4,791.82	93,629.05	7,713.86	112,784.76
e Debits	—	—	—	—	24,976.32	—	—	—	24,976.32
Debits	—	—	54,155.00	18,122.30	1,334.13	811.37	530.98	111.87	75,065.65
Forward to Balance Sheet	1,652,222.53	1,652,222.53	1,598,067.53	1,598,067.53	1,625,324.81	1,625,324.81	1,588,705.38	1,588,705.38	1,588,705.38
Income and Profit and Loss Debits not contributed through income by parent companies:									
and Profit and Loss Deficit	\$ 91,068.02	—	—	—	—	—	—	—	—
1932—Adjustment of Discount on Capital	26,897.72	—	—	—	—	—	—	—	—
ment of charge against parent companies in 1932 for under accrual of depreciation prior to January 1, 1929	36,619.43	—	—	—	—	—	—	—	—
Total	\$ 154,585.17	—	—	—	—	—	—	—	—

(Testimony of Charles Elsey.)

Statement No. 33

Alameda Belt Line

INCOME ACCOUNT, 1928-1935, INCLUSIVE

Alameda Belt Line owns 14.09 miles and operates 15.86 miles of standard gauge, steam operated belt line in the City of Alameda and serving the Encinal Terminal docks, California Packing Corporation docks and various other industries.

The company is jointly and equally owned by the Western Pacific and The Atchison, Topeka & Santa Fe Railway. Parent companies have agreed to equally share any operating deficits or profits as well as advances for Additions and Betterments or other requirements.

**Alameda Belt Line
INCOME AND PROFIT AND LOSS ACCOUNT**

	Year 1928	Year 1929	Year 1930	Year 1931	Year 1932	Year 1933	Year 1934
Operating Income							
Railway Operating Revenues	\$ 55,024.66	\$ 52,523.48	\$ 50,493.94	\$ 38,603.61	\$ 37,755.67	\$ 51,322.24	\$ 62,629.44
Railway Operating Expenses	90,662.22	111,459.75	67,931.18	61,515.43	55,415.64	54,917.23	63,511.09
Net Revenue (or Loss) from Railway Operations	\$ 35,637.56*	\$ 58,936.27*	\$ 17,437.24*	\$ 22,911.82*	\$ 17,659.97*	\$ 3,594.99*	\$ 881.65*
Railway Tax Accruals	1,339.14	1,480.80	2,869.55	2,761.95	2,353.91	2,103.56	2,885.06
Uncollectible Railway Revenues	—	—	—	—	—	—	—
Railway Operating Income (or Loss)	\$ 36,976.70*	\$ 60,417.07*	\$ 20,306.79*	\$ 25,673.77*	\$ 20,013.88*	\$ 5,698.55*	\$ 3,766.71*
Non-Operating Income							
Rent from Locomotives	\$ 7.29	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Miscellaneous Rent Income	54.80	59.80	2.20	6.00	6.00	6.00	11.00
Miscellaneous Non-Operating Physical Property	—	—	676.82	879.43	862.01	898.88	906.66
Income from Unfunded Securities and Accounts	541.39	26,779.60	978.74	390.29	2,364.24	131.08	—
Contributions from Other Companies:							
The Western Pacific Railroad Co. Proportion	—	—	—	107,429.86	16,167.39	9,050.08	9,152.64
Atchison, Topeka & Santa Fe Ry. Proportion	—	—	—	107,429.86	16,167.40	9,050.08	9,152.64
Total Non-Operating Income	\$ 603.48	\$ 26,839.40	\$ 1,657.76	\$ 216,135.44	\$ 35,567.04	\$ 19,136.12	\$ 19,222.94
Gross Income (or Loss)	\$ 36,373.22*	\$ 33,577.67*	\$ 18,649.03*	\$ 190,461.67	\$ 15,553.16	\$ 18,437.57	\$ 15,456.23
Deductions from Gross Income							
Hire of Freight Cars—Debit Balance	\$ 4,963.00	\$ 2,473.05	\$ 2,472.30	\$ 2,050.35	\$ 1,557.15	\$ 2,088.05	\$ 3,128.80
Rent for Locomotives	30,223.83	22,620.70	11,197.20	—	—	—	748.80
Rent for Work Equipment	439.00	1,074.00	—	—	—	—	—
Miscellaneous Rents	15.00	—	5.00	—	—	—	—
Miscellaneous Tax Accruals	—	—	1,630.15	2,447.39	2,392.62	1,940.98	1,872.76
Interest on Funded Debt	—	—	19,174.62	1,029.51	11,603.39	9,408.54	9,705.87
Interest on Unfunded Debt	—	—	—	.15	—	—	—
Total Deductions from Gross Income	\$ 35,640.83	\$ 26,167.75	\$ 34,479.27	\$ 5,527.40	\$ 15,553.16	\$ 13,437.57	\$ 15,456.23
Net Income (or Loss) Transferred to Credit (or Debit) of Profit and Loss	\$ 72,014.05*	\$ 59,745.42*	\$ 53,128.30*	\$ 184,934.27	\$ None	\$ None	\$ 480.43

*Denotes red figures.

**Alameda Belt Line
INCOME AND PROFIT AND LOSS ACCOUNT**

	Year 1928	Year 1929	Year 1930	Year 1931	Year 1932	Year 1933	Year 1934	Total
Operating Income								
Operating Revenues	\$ 55,024.66	\$ 52,523.48	\$ 50,493.94	\$ 38,603.61	\$ 37,755.67	\$ 51,322.24	\$ 62,629.44	\$ 410,400.00
Operating Expenses	90,662.22	111,459.75	67,931.18	61,515.43	55,415.64	54,917.23	63,511.09	572,526.45
Net Revenue (or Loss) from Railway Operations	\$ 35,637.56*	\$ 58,936.27*	\$ 17,437.24*	\$ 22,911.82*	\$ 17,659.97*	\$ 3,594.99*	\$ 881.65*	\$ 162,126.45*
Accruals	1,339.14	1,480.80	2,869.55	2,761.95	2,353.91	2,103.56	2,885.06	19,994.89
Railway Revenues	—	—	—	—	—	—	—	—
Operating Income (or Loss)	\$ 36,976.70*	\$ 60,417.07*	\$ 20,306.79*	\$ 25,673.77*	\$ 20,013.88*	\$ 5,698.55*	\$ 3,766.71*	\$ 182,121.34*
Non-Operating Income								
Locomotives	\$ 7.29	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7.29
Rent Income	54.80	59.80	2.20	6.00	6.00	6.00	11.00	151.80
Non-Operating Physical Property	—	—	676.82	879.43	862.01	898.88	906.66	5,186.80
Unfunded Securities and Accounts	541.39	26,779.60	978.74	390.29	2,364.24	131.08	—	31,185.34
Contributions from Other Companies:								
Western Pacific Railroad Co. Proportion	—	—	—	107,429.86	16,167.39	9,050.08	9,152.64	155,663.57
Topeka & Santa Fe Ry. Proportion	—	—	—	107,429.86	16,167.40	9,050.08	9,152.64	155,663.58
Total Non-Operating Income	\$ 603.48	\$ 26,839.40	\$ 1,657.76	\$ 216,135.44	\$ 35,567.04	\$ 19,136.12	\$ 19,222.94	\$ 347,858.38
Gross Income (or Loss)	\$ 36,373.22*	\$ 33,577.67*	\$ 18,649.03*	\$ 190,461.67	\$ 15,553.16	\$ 13,437.57	\$ 15,456.23	\$ 165,737.04
Deductions from Gross Income								
Hire of Freight Cars—Debit Balance	\$ 4,963.00	\$ 2,473.05	\$ 2,472.30	\$ 2,050.35	\$ 1,557.15	\$ 2,088.05	\$ 3,128.80	\$ 23,281.85
Rent for Locomotives	30,223.83	22,620.70	11,197.20	—	—	—	748.80	66,645.93
Rent for Equipment	439.00	1,074.00	—	—	—	—	—	1,513.00
Miscellaneous Rents	15.00	—	5.00	—	—	—	—	20.00
Tax Accruals	—	—	1,630.15	2,447.39	2,392.62	1,940.98	1,872.76	11,992.19
Interest on Funded Debt	—	—	19,174.62	1,029.51	11,603.39	9,408.54	9,705.87	61,756.99
Interest on Unfunded Debt	—	—	—	.15	—	—	—	.15
Total Deductions from Gross Income	\$ 35,640.83	\$ 26,167.75	\$ 34,479.27	\$ 5,527.40	\$ 15,553.16	\$ 13,437.57	\$ 15,456.23	\$ 165,210.11
Net Income (or Loss) Transferred to Credit (or Debit) of Profit and Loss	\$ 72,014.05*	\$ 59,745.42*	\$ 53,128.30*	\$ 184,934.27	\$ None	\$ None	\$ None	\$ 526.93

red figures.

Statement No.

Alameda Belt Line
INCOME AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account	Year 1928	Year 1929	Year 1930	Year 1931	Year 1932	Year 1933	Year 1934	Year 1935
Credits								
Credit Balance Transferred from Income	\$ —	\$ —	\$ —	\$184,934.27	\$ —	\$ —	\$ —	\$ 480.4
Donations	—	971.70	—	—	—	—	—	—
Miscellaneous Credits	—	—	13.40	.10	—	—	—	—
Debits								
Debit Balance at Beginning of Year	4,585.32	76,599.37	136,344.79	189,519.69	4,585.32	4,585.32	4,585.32	4,585.3
Debit Balance Transferred from Income	72,014.05	59,745.42	53,128.30	—	—	—	—	—
Surplus Appropriated for Investment in Physical Property	—	971.70	—	—	—	—	—	—
Debits from Retired Road and Equipment	—	—	—	—	—	—	—	480.4
Miscellaneous Debits	—	—	60.00	—	—	—	—	—
Debit Balance Carried to Balance Sheet	76,599.37	136,344.79	189,519.69	4,585.32	4,585.32	4,585.32	4,585.32	4,585.3

Statement No. 34 (Continued)

Alameda Belt Line
INCOME AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account	Year 1928	Year 1929	Year 1930	Year 1931	Year 1932	Year 1933	Year 1934	Year 1935	Total
Credits									
Balance Transferred from Income	\$ —	\$ —	\$ —	\$184,934.27	\$ —	\$ —	\$ —	\$ 480.43	\$185,414.70
Donations	—	971.70	—	—	—	—	—	—	971.70
Miscellaneous Credits	—	—	13.40	.10	—	—	—	—	13.50
Debits									
Debit Balance at Beginning of Year	4,585.32	76,599.37	136,344.79	189,519.69	4,585.32	4,585.32	4,585.32	4,585.32	4,585.32
Debit Balance Transferred from Income	72,014.05	59,745.42	53,128.30	—	—	—	—	—	184,887.77
Surplus Appropriated for Investment in Physical Property	—	971.70	—	—	—	—	—	—	971.70
Debits from Retired Road and Equipment	—	—	—	—	—	—	—	480.43	480.43
Miscellaneous Debits	—	—	60.00	—	—	—	—	—	60.00
Debit Balance Carried to Balance Sheet	76,599.37	136,344.79	189,519.69	4,585.32	4,585.32	4,585.32	4,585.32	4,585.32	4,585.32

(Testimony of Charles Elsey.)

Statement No. 35

**Standard Realty and Development Company
INCOME ACCOUNT, 1922 TO 1935, INCLUSIVE**

Standard Realty & Development Company was formed as a wholly owned subsidiary of the Western Pacific and primarily for the purpose of handling land purchases and sales in connection with non-operating property.

The Standard Realty & Development Company has no bonded debt.

STANDARD REALTY AND DEVELOPMENT COMPANY
INCOME ACCOUNT—YEARS 1922 to 1935—BOTH INCLUSIVE

	Year 1922	Year 1923	Year 1924	Year 1925	Year 1926	Year 1927	Year 1928	Year 1929	Year 1930	Year 1931	Year 1932	Year 1933
Credits												
Rentals of Property	\$16,622	\$13,491	\$10,652	\$13,350	\$11,638	\$21,316	\$15,318	\$16,000	\$14,462	\$15,210	\$11,386	\$ 9,763
Interest Receipts	1,258	2,878	2,534	1,257	1,175	1,307	1,679	410	347	289	158	5
Interest on Bank Balances	599	1,677	1,234	854	1,232	1,310	337	236	290	244	231	121
Dividend Income	—	—	—	—	7,500	—	7,500	—	—	—	—	—
Total Credits	\$18,479	\$18,046	\$14,420	\$15,461	\$21,545	\$23,933	\$24,834	\$16,646	\$15,099	\$15,743	\$11,775	\$ 9,889
Debits												
Taxes	\$14,910	\$11,330	\$11,063	\$11,475	\$12,860	\$19,196	\$15,172	\$17,986	\$18,015	\$16,349	\$16,734	\$14,187
Water and Electric Service	693	582	524	492	417	1,561	842	1,007	951	927	959	604
Collecting and Renting Expense	574	519	469	451	431	684	490	531	505	464	509	526
Repairs to Property	1,116	668	461	770	679	1,649	1,095	1,259	1,114	1,517	1,182	976
General Expenses	1,223	1,428	1,320	1,474	1,406	1,810	1,918	1,974	1,968	1,928	1,840	1,297
Rental of Property Paid	—	—	—	—	—	—	—	—	—	—	—	—
Insurance and Premiums	63*	408	993	536	335	805	636	398	339	384	314	152
Legal Expenses	—	—	240	216	—	—	—	—	—	—	—	—
Total Debits	\$18,453	\$14,935	\$15,070	\$15,414	\$16,128	\$25,705	\$20,153	\$23,155	\$22,892	\$21,569	\$21,538	\$17,742
Income Balance (Deficit in Red)	\$ 26	\$ 3,111	\$ 650*	\$ 47	\$ 5,417	\$ 1,772*	\$ 4,681	\$ 6,509*	\$ 7,793*	\$ 5,826*	\$ 9,763*	\$ 7,853*

*Denotes red figures.

[End of Exhibit No. 29.]

[Endorsed]: F. D. 10913. Exhibit No. 29. (Consisting of 36 Statements.) Witness: Elsey. Filed April 21, 1936.

STANDARD REALTY AND DEVELOPMENT COMPANY
INCOME ACCOUNT—YEARS 1922 to 1935—BOTH INCLUSIVE

	Year 1922	Year 1923	Year 1924	Year 1925	Year 1926	Year 1927	Year 1928	Year 1929	Year 1930	Year 1931	Year 1932	Year 1933	Year 1934	Year 1935
Property	\$16,622	\$13,491	\$10,652	\$13,350	\$11,638	\$21,316	\$15,318	\$16,000	\$14,462	\$15,210	\$11,386	\$ 9,763	\$ 9,794	\$11,686
Receipts	1,258	2,878	2,534	1,257	1,175	1,307	1,679	410	347	289	158	5	5	—
Bank Balances	599	1,677	1,234	854	1,232	1,310	337	236	290	244	231	121	—	—
Income	—	—	—	—	7,500	—	7,500	—	—	—	—	—	—	—
Credits	\$18,479	\$18,046	\$14,420	\$15,461	\$21,545	\$23,933	\$24,834	\$16,646	\$15,099	\$15,743	\$11,775	\$ 9,889	\$ 9,799	\$11,686
Debits														
Taxes	\$14,910	\$11,330	\$11,063	\$11,475	\$12,860	\$19,196	\$15,172	\$17,986	\$18,015	\$16,349	\$16,734	\$14,187	\$12,289	\$11,738
Water and Electric Service	693	582	524	492	417	1,561	842	1,007	951	927	959	604	362	312
Collecting and Renting Expense	574	519	469	451	431	684	490	531	505	464	509	526	495	610
Repairs to Property	1,116	668	461	770	679	1,649	1,095	1,259	1,114	1,517	1,182	976	921	1,462
General Expenses	1,223	1,428	1,320	1,474	1,406	1,810	1,918	1,974	1,968	1,928	1,840	1,297	1,324	2,875
Rental of Property Paid	—	—	—	—	—	—	—	—	—	—	—	—	—	181
Insurance and Premiums	63*	408	993	536	335	805	636	398	339	384	314	152	267	505
Legal Expenses	—	—	240	216	—	—	—	—	—	—	—	—	—	—
Total Debits	\$18,453	\$14,935	\$15,070	\$15,414	\$16,128	\$25,705	\$20,153	\$23,155	\$22,892	\$21,569	\$21,538	\$17,742	\$15,658	\$17,683
Income Balance (Deficit in Red)	\$ 26	\$ 3,111	\$ 650*	\$ 47	\$ 5,417	\$ 1,772*	\$ 4,681	\$ 6,509*	\$ 7,793*	\$ 5,826*	\$ 9,763*	\$ 7,853*	\$ 5,859*	\$ 5,997*

*Denotes red figures.

[End of Exhibit No. 29.]

[Endorsed]: F. D. 10913. Exhibit No. 29. (Consisting of 36 Statements.) Witness: Elsey. Filed April 21, 1936.

(Testimony of Charles Elsey.)

Q. (By Mr. Nicodemus) The next exhibit marked on my memorandum is an analysis of balance sheets of certain subsidiary companies. Have you that exhibit? A. Yes, sir.

Q. Will you describe them more in detail?

A. It is an analysis of the balance sheet of our subsidiary companies as of December 31, 1935, Sacramento Northern Railway Company, Tidewater Southern Railway Company, Deep Creek Railroad Company, and Standard Realty and Development Company.

Mr. Nicodemus: We offer that and ask that it be numbered exhibit 30, and received subject to further examination of Mr. DeGraff.

Examiner Wilkinson: The analysis of balance sheet of the [1914] Sacramento Northern Railway Company, Tidewater Southern Railway Company, Deep Creek Railroad Company, and the Standard Realty & Development Company, will be marked as exhibit No. 30.

(Exhibit No. 30, Witness Elsey, received in evidence.)

Q. (By Mr. Nicodemus) The third exhibit, I understand, is the statement of the Form A prescribed by the Interstate Commerce Commission of net capital expenditures, covering a certain period. I think it is the period from the organization of the present company up to January 1, 1936.

A. Correct.

(Testimony of Charles Elsey.)

Mr. Nicodemus. We offer this as exhibit No. 31, subject to further examination of Mr. DeGraff if desired.

Examiner Wilkinson. The document containing the details of uncapitalized net expenditures will be marked as Exhibit No. 31.

(Exhibit No. 31, Witness Elsey, received in evidence.)

Q. (By Mr. Nicodemus) Exhibit No. 29, Mr. Elsey, which has just been received in evidence, relates very largely to the system accounts as distinguished from the railroad company accounts, the latter being the exhibits being offered at the last hearing.

Have you made a comparison as to the differences between the results for the system and the results for [1915] the railroad company, to determine whether or not there is any substantial variation, or whether the variation is relatively negligible?

A. Yes, sir.

Q. What has been the result?

A. There is very little difference in the compilation of the original statement we filed at the last hearing, which was solely of the Western Pacific Railroad Company, in comparison with this statement taking in the Western Pacific and its various subsidiaries.

Q. Are you willing that this plan be tested by either set of studies?

A. Yes, sir.

(Testimony of Charles Elsey.)

Q. Will those variations that you have mentioned and which you state are relatively negligible be explained by the other witnesses or certain of the witnesses you have already named?

A. Yes, sir.

Q. Statement No. 9, forming part of exhibit 29, shows that for the years 1931, 1932, and 1933, the system accounts kept in accordance with the Interstate Commerce Commission's regulations show that less than \$1,027,000 was earned in each of these years. Have you any reason to submit as to why you believe that the accounts for these years do not truly reflect the earning power of the [1916] company or what the earning power would be in a future depression?

A. Yes, sir.

Q. At least as severe as the one we have just passed through, assuming that we are through it? Will you give those reasons?

A. The operating revenues of the Western Pacific System which consists of the Western Pacific Railroad Company, Sacramento Northern Railway, Tidewater Southern Railway Company, and Deep Creek Railroad Company, reached a low point for the past thirteen years in the years 1932 to 1934, inclusive.

The earnings derived from the Northern California Extension during the years 1932 to 1934, are not a fair criterion as to what this property could earn in the future during a similar period of depression as existed during 1932 to 1934.

(Testimony of Charles Elsey.)

The line was placed in operation in November, 1931, and, in addition to commencing operations in the midst of the depression, it had all of the handicaps of any new property, such as the route not being generally known to a large number of shippers throughout the country, and, also, the doubt in the shippers' minds as to whether satisfactory schedules could be maintained over this new mountain route. [1917]

The operating revenues of the Western Pacific System for the years 1932 to 1934, inclusive, were \$38,232,797, or an average of \$12,744,266 per annum. The operating revenues for the System, for the same period, less the earnings from the Northern California Extension were \$33,523,889, or an average of \$11,174,629 per annum. The freight revenues for the System for the same period, less the earnings from the Northern California Extension, were \$29,242,553, or an average of \$9,747,517 per annum.

For the reason that the Sacramento Northern did not become a part of the Western Pacific System until 1926, we have used the years 1926-1927, less earnings from the Chico-Weso bridge traffic, as a "normal" period of freight earnings for the System prior to the construction of the Northern California Extension.

The average freight revenues of the System, less earnings from Chico-Weso bridge traffic, for these two years were \$13,714,620 per annum and the av-

(Testimony of Charles Elsey.)

average freight revenues for the System for the years 1932 to 1934, less Northern California Extension earnings, were 71 per cent of the normal period.

The Traffic Department estimates that our freight revenues for the Northern California Extension for 1940 will be \$4,171,625, and if at some time after that year [1918] general business conditions recede to the level existing in 1932 to 1934, and assuming that the revenues for the Northern California Extension decline in the same proportion as our System freight earnings decreased in the present depression, our earnings from this line would then amount to 71 per cent of the above estimate, or \$2,961,853.

In arriving at the approximate gross revenues of the Western Pacific System during a depression period after the Northern California Extension is on a normal earning basis we have the following results:

Average annual system operating revenues for the years 1932 to 1934, inclusive, but not including Northern California Extension earnings; \$11,174,629.

Estimated operating revenues for the Northern California Extension, \$2,961,853.

Total estimated annual operating revenues for the System during a future depression period, \$14,136,482.

The foregoing estimated depression operating revenues for the System of \$14,136,482 compared

(Testimony of Charles Elsey.)

will. System operating revenue of \$13,779,237 for the year 1934, in which year, disregarding amortization of discount on first mortgage bonds, there was available for interest, \$1,218,000 as compared with interest charges under the Plan of \$1,027,000. [1919]

It is assumed that in a future depression year operating expenses will be no higher than in 1934, in which year there was charged to operating expenses, \$107,286. account laying 43.5 miles of rail and approximately \$54,000 account rebuilding of 134 box cars, as well as the restoration during the last seven months of \$92,000, representing the first one-quarter of the 10 per cent general wage reduction which had been placed in effect during February, 1932.

It is my opinion that if, in a future depression, general business conditions recede to the level existing in the years 1932 to 1934, inclusive, our System earnings will not fall to the level of those years for the reason that just prior to the depression we constructed several branches, which, like the Northern California Extension, have proven their value during a depression period but have not as yet had the benefits of being in operation during normal times and, consequently, have not been able to demonstrate their real worth as feeders to our main line.

I refer to the Terminous Branch, which was placed in operation in January, 1928, and produced operating revenues to the System in 1934, of \$321,380; the Connection with the Oregon Short Line at Wells, Nevada, was completed in June, 1929, and

(Testimony of Charles Elsey.)

produced revenues of [1920] \$180,000 in 1933; the Holland Line of the Sacramento Northern Railway was placed in service in 1929, and produced revenues of \$222,000 in 1935. In addition to the foregoing we purchased a one-third interest in the Central California Traction Company on January 1, 1928, and during the depression years the business from this connection has given us revenues in excess of \$200,000 per annum.

On January 1, 1929, we purchased the San Francisco-Sacramento Railroad, which was merged with the Sacramento Northern Railway. The acquisition of this property has given us an opportunity to serve some very desirable agricultural territory and also some highly developed industrial districts, the principal industrial point being Pittsburg, California, at which point is located the Columbia Steel Company plant, a subsidiary of the United States Steel Corporation.

The completion, in May, 1934, of the Dotsero Cut-off by the Denver & Rio Grande Western Railroad strengthened the position of the Western Pacific by making available to it a route 175 miles shorter than the route via the old line on traffic moving via our friendly connections, i. e., the Burlington and Rock Island Railroads; thus affording to the Western Pacific a better opportunity of securing competitive traffic moving between points in [1921] California, on the one hand, and territory Denver and east thereof, on the other.

(Testimony of Charles Elsey.)

As business resumes normalcy, the vast gathering power of the Burlington and Rock Island will, without doubt, be reflected to a very marked degree in increased freight and passenger traffic and revenue to the Western Pacific.

Q. In view of those considerations, do you believe that the proposed fixed charge of \$1,027,000 under the plan is a figure safely within the System's power to earn even under depression conditions as serious as those through which we have passed?

A. I do.

Mr. Nicodemus. You may cross examine, Mr. Swaine, if you wish.

Cross Examination

Q. (By Mr. Swaine) Mr. Elsey, would you regard it as of value to your company to have your fixed interest obligations eligible for investment by savings banks and insurance companies?

A. Yes.

Q. Under the laws of New York?

A. I am not familiar with the laws of New York.

Q. I am just saying, would you regard it as of value to the credit of the company to have your fixed interest- [1922] bearing obligations eligible for investment by New York savings banks or New York insurance companies.

A. Yes, sir.

Q. Do you think that your record of earnings or your estimate of earnings is apt to show over the next few years the fixed interest $1\frac{1}{2}$ times earned?

A. I am quite certain of that, but there will be

(Testimony of Charles Elsey.)

another witness that will give that in detail, Mr. Swaine, and will have the figures.

Q. You said that the differences between the figures which you produced at the last hearing and the figures you have produced at this hearing with reference to the amount available for interest show no substantial difference between the company figures produced last time and the consolidated figures produced this time, is that right? A. Yes, sir.

Q. The figure produced last time for the year 1929—I do not remember the number of the exhibit, but it was the exhibit which is headed, "Annual fixed charges under Plan, \$1,027,036. Record of present company," and a series of years beginning with 1929, and "Available for Interest,"—the year 1929; it is a one-page exhibit that you have had before.

Mr. Nicodemus. You mean statement 22 in this exhibit? [1923]

Mr. Swaine. No, no. I want the little one-page exhibit that you introduced before. What was the number?

The Witness. Exhibit 3.

Q (By Mr. Swaine) Exhibit 3 showed for 1929, available for interest, \$2,919,056. The exhibit which you have produced this morning shows \$2,520,000. I will use round figures. That difference of \$400,000 you do not regard as substantial, then?

A. Yes, but the proposition is, as I have just explained, our credit is going to be judged by our new set-up.

(Testimony of Charles Elsey.)

Q. That is not the question I asked you, Mr. Elsey. You made the statement that there was no substantial difference between the figures you produced last time and the figures you produced today.

Mr. Nicodemus. Except—

Mr. Swaine. Listen to me. I asked you just one question:

Q. Do you regard the difference between \$2,500,000 and \$2,900,000 as not substantial? I just want to get the witness' ideas as to the amount he regards as substantial. That can be a yes or no answer. Your figure before for the year was \$2,919,000, and your figure now is \$2,520,000.

Mr. Nicodemus. I think you ask the question a little too broadly. [1924]

Mr. Swaine. No, that is all I want to know: Does he regard that difference of \$400,000 as a non-substantial difference?

Mr. Nicodemus. Those figures were explained at the last hearing. He meant that the new exhibits—

Mr. Swaine. Oh, I am not examining you Mr. Nicodemus. I am asking Mr. Elsey.

Q. The identical figure under this item "Available for Interest" on Exhibit 3 is \$2,900,000, and it is \$2,520,000 now. Do you regard that as substantial or not in railroad earnings?

A. That was not the proposition, Mr. Swaine.

Q. I did not ask you what the proposition was when I asked you that question.

(Testimony of Charles Elsey.)

A. I made the statement that the substantial difference was negligible. That was on the proposition of our forecast for 1936 to 1940.

Q. I am not talking about the future; that is speculative. I am trying to develop the past.

A. I am talking about the future.

Q. Would you say the difference between \$2,90,000 and \$2,500,000 was substantial in the past?

A. I was not referring to the past, Mr. Swaine. Examiner Wilkinson. Mr. Elsey, suppose you just answer the question and then explain it as you see fit [1925]

Q. (By Mr. Swaine) The figure that you introduced before as "Available for Interest," was \$2,300,000 in 1930. You have now produced a figure of \$1,500,000, \$1,552,000, to be exact.

A. It is in 1930?

Q. That is 1930. A. Yes.

Q. Do you not think that anybody judging the plan in respect of the past record—I am not assuming that anybody would be so foolish as to judge this plan in the light of the past earnings, but if anybody were so foolish as to do that, would that not be a very substantial difference?

A. That would, if they simply took that one situation into consideration.

Q. That makes a substantial difference, does it not? A. Yes, sir.

Q. The year 1931, the figure which you produced last time was \$665,000 available for interest, and the

(Testimony of Charles Elsey.)

figure that you have now produced is a deficit of \$186,000. If anyone tries to look at this in the light of the past, that makes a very serious difference, does it not?

A. If they simply confine themselves to that one year, yes.

Q. If that is a factor, so far as that factor enters into [1926] it, it is a serious adverse difference, is it not?

A. That is correct.

Q. Take the year 1932. The figure which you produced before was \$972,000. The figure which you produce today, is \$252,000. Now, we will omit the factor of the speculative future, but the factor in the past involves a substantial change in appearance, does it not, from what we had before?

A. Yes, sir.

Q. In 1933, the figure which you produced before was \$1,367,000. The figure which you produced this morning is \$674,000. That again produces a substantial adverse comparison, does it not?

A. It does, yes. The proposition is that—

Q. I did not ask you what the proposition is, I am confining it to this one factor. I know there are other factors.

In 1934, the figure you produced before was \$1,700,000. The figure which you produced this morning is \$1,084,000. That again gives a substantial adverse appearance, does it not?

A. Yes, sir.

(Testimony of Charles Elsey.)

Q. The figure that you produced before for 1935 was \$1,547,000. The figure which you produced this morning is \$805,000. Looking at just that one factor now, that [1927] again is a substantial adverse comparison, is it not? A. Yes, sir.

Q. The figure that you produced for 1934 before was, as I said, \$1,761,000, and for 1935, \$1,547,000, a decline of \$200,000. Again, the figures that you produced this morning show for 1934, \$1,084,000, and for 1935, \$805,000, a decline of nearly \$300,000. The indication of a declining trend from 1934 to 1935, looking at just that one factor, is itself an adverse factor, is it not, that anybody has to take into account in considering what kind of a plan one ought to have?

A. No, not necessarily.

Q. Why not?

A. The proposition is, if you are going to make a comparison of two particular years, you have to analyze what are the results of the figures in those two years. I will be prepared upon that.

Q. Yes, but that evidences a declining trend in net, does it not?

A. It is on the face of it, but after you take into consideration, as I said, what has happened in those two years as to revenues and expenses, it will change the complexion of the figures.

Q. How did you treat the Railroad Retirement Act charges and credits as between 1934 and 1935, in these two figures [1928] that you have just given us?

(Testimony of Charles Elsey.)

A. 1935, I show as a deduction.

Q. You charge it out in 1935?

A. Yes, sir.

Q. How much?

A. I do not have the figures. Mr. Engelbright will be prepared to discuss those figures.

Mr. Swaine: So as to have the continuity of the record, I wonder if he will supply those.

Examiner Wilkinson: Will you supply those?

Mr. Nicodemus: I think part of it went in one year and part in another.

Mr. Engelbright: In 1934, there were charged for five months pension charges of \$97,683, and, to complete the thing, in 1935, there were charged for four months. \$51,593. In that same year, there was a credit taken for the refund of the entire pension collections of \$149,267, which is the sum of those other two figures.

Q. (By Mr. Swaine) With that set of figures given, Mr. Elsey, I ask you whether the 1934 earnings as compared with the 1935 earnings are not distorted by \$97,000; that is, if you disregard the pension in both periods, your 1934 earnings would be \$97,000 higher than are revealed here, and if you disregard the pension figures in 1935, the 1935 figure will be \$97,000 lower. In other [1929] words, eliminating the Railroad Retirement Act entirely from both accounts, you would have \$1,181,000 for 1934, and you would have \$708,000 for 1935. Is that not correct?

(Testimony of Charles Elsey.)

A. That is about right, but in making a comparison you cannot pick out one particular item that is going to suit your case without going into the whole comparison as to the two-year period.

Q. I understand all that, Mr. Elsey. All I am trying to do is get the facts. A. I know.

Q. And see whether these are not facts, that anybody interested in the credit of the property in the future has to take into account.

A. That is correct, but they want to take into account the whole picture.

Q. Oh, I understand that, there are other things to be taken into account, but I want to be sure we have all the things.

I would like to ask you also how you treated, in arriving at these figures, the amounts which you advanced in the years 1928 to 1935, inclusive, to the Central California Traction Company, and in the years 1932 to 1935, inclusive, the amounts which you advanced to the Alameda Belt Line.

A. That is deducted from our income before taking into [1930] consideration the amount available for interest.

Q. All advances? A. Yes, sir.

Q. Whether for sinking fund or not?

A. Yes, sir.

Mr. Swaine: Is that correct, Mr. Englebright, all advances, whether for sinking fund or not?

Mr. Englebright: I would rather have you ask Mr. DeGraff, Mr. Swaine.

(Testimony of Charles Elsey.)

Mr. DeGraff, all advances for the Central California Traction and the Alameda Belt Line come out of our income before available for interest, do they not?

Mr. DeGraff: The advances for sinking fund do not affect the income. They are charged up to the Central California Traction Company as advances.

Mr. Swaine: That is what I thought. In other words, how much of this income here that you have reported has to go, as a practical matter, to these two companies, to keep them going before any amount is really available cash-wise to pay interest on your own bonds?

Mr. DeGraff: The amount shown in those statements there is in the Western Pacific's income deductions as "Loss from separate operating properties." That will indicate the amount that the Western Pacific has assumed on account of the Central California Traction Company [1931] and the Alameda Belt Lines' income.

Mr. Swaine: Does that include the sinking fund?

Mr. DeGraff: No. The sinking fund is a separate item.

Mr. Swaine: Does it include advances for additions and betterments to those properties?

Mr. DeGraff: No.

Mr. Swaine: Have you a statement here of the amount of the advances that you had to make to those two properties for sinking fund and additions

(Testimony of Charles Elsey.)

and betterments? You tell me that the advances for bond interest are already out.

Mr. DeGraff: Yes.

Mr. Swaine: And any advances for operating loss are already out.

Mr. DeGraff: Yes.

Mr. Swaine: But not the advances for sinking fund or additions or betterments.

Mr. DeGraff: No.

Mr. Swaine: Do you know how much that is?

Mr. DeGraff: There are statements in that exhibit that show it.

Q. (By Mr. Swaine) You would agree, Mr. Elsey, would you not, that if your commitments to these two properties require you to put up cash for such purposes and additions and betterments and for sinking fund, that amount of cash [1932] really is not available in any practical sense for the payment of interest on Western Pacific obligations?

A. Not at the present time.

Q. Would you say that in any one of these years, 1931 to 1935, inclusive, to which I have been referring, there was either any extraordinary under-maintenance or any extraordinary over-maintenance? That is, are the accounts distorted either way? I just want the facts.

A. I would want to make an analysis of the accounts, Mr. Swaine, before I answer that question.

Q. I thought that was one of the reasons why we took the four weeks' adjournment, so that we

(Testimony of Charles Elsey.)

would know about that. I asked you before, and Mr. Nicodemus thinks that I owe you an apology for misleading you. I certainly did not intend to mislead you, and I want now to know what the fact is.

Is there any under-maintenance or is there any over-maintenance in producing the figures that you have now produced from 1931 to 1935, inclusive?

A. I am not prepared to state, Mr. Swaine.

Q Do you not think that is a relevant fact which any one questioning the soundness of the plan or considering the soundness of a plan ought to have before him?

A. If you wish those figures, we will prepare them for you. [1933]

Q. I am just asking you whether you do not think that is a relevant thing.

A. Yes, I do.

Mr. Nicodemus: Is that not covered by Mr. Englebright's proposed testimony?

Mr. Swaine: Oh, it is here?

Mr. Nicodemus: Yes, sir. We explained that the detail of these statements would be supported by certain individual witnesses.

Q (By Mr. Swaine) Looking to the future, what have you done with reference to fuel costs; first, you operate your locomotives with coal?

A. Partly coal and partly oil.

Q. What have you done about coal costs?

A. That matter will be gone into in detail on those operating expenses by Mr. Englebright.

Q. You do not know?

(Testimony of Charles Elsey.)

A. No, sir, I have not gone into the detail of it.

Q. Have you a statement of your earnings for the first three months of 1936, on a consolidated basis?

A. I could not say. I hardly think so.

Q. A statement of your consolidated income account for the three months of 1936?

Mr. Englebright: No, we have not computed the third month yet. [1934]

Mr. Swaine: Can you tell me how it compares with the first three months of 1935?

Mr. Englebright: Consolidated?

Mr. Swaine: Yes.

Mr. Englebright: No, I could not offhand. I could ascertain it for you.

Mr. Swaine: Could you tell me approximately?

Mr. Englebright: I do not like to give an approximate figure.

Mr. Nicodemus: Mr. Bon testified at the last hearing that we got off to a bad start in 1936.

Q. (By Mr. Swaine) The reason I ask is that your estimate for 1936, is \$1,600,000, whereas your actual last year was \$805,000. In other words, you are estimating that you will make twice as much in 1936 as you made in 1935. I would like to know just how well you are approximating that.

A. As I say, I could not answer that question without having a statement prepared.

Q. You mean you do not know how your property is doing?

(Testimony of Charles Elsey.)

A. I am not going to quote any figures that I am not prepared to give an accurate answer to.

Q. You are the operating manager of the property, are you not? A. Yes, sir. [1935]

Q. Is it doing better this year or worse this year than it did last year?

A. So far as gross is concerned, this year it is doing better.

Q. I mean net.

A. I have not checked it up.

Q. How did it do in January?

A. I could not say.

Q. Or February?

A. I could not say as far as the net is concerned. I do not have the figure here, and I am not going to quote—

Q. You mean you have no impression whether it is better or worse?

A. I am not to quote any figures. If you want any statement prepared, we will prepare a statement.

Q. I am not anxious to have a detailed, penny statement.

A. We will give you an approximate figure, if that is what you wish.

Q. I would like to know how your property is doing, as to whether it is doing better this year or not. You have estimated it is going to do twice as well. That would be a very happy result to the bondholders.

(Testimony of Charles Elsey.)

Mr. Nicodemus: I do not know of any such estimate.

The Witness: The proposition of a three-months statement at the beginning of the year to me would not be a [1936] conclusive answer to the proposition of what we propose to do for the twelve months' period.

Q. (By Examiner Wilkinson) Mr. Elsey, did the results of operation this year influence your estimates for 1936, to 1940, in any way?

A. I did not quite get your question.

Q. Did your actual results of operation this year influence your estimate for 1936 to 1940, in any way?

A. Why, yes. Our traffic witness stated that the first two months of the year we did not do so well, and of course he has used that as his basis for his 1936 statement, but only 1936. It would have no effect in the years 1937 to 1940, inclusive.

Q. Then do I infer from that that your operations so far this year show a worse result than for 1935?

A. The first two months do. Our preliminary figures for March, show a very material pick-up so far as gross is concerned.

Q. (By Mr. Swaine) But you do not know as to the net? A. No, sir.

Q. So you are relying on the last nine months of the year to make the difference between \$805,000 and \$1,524,000? I was wrong in saying \$1,600,000; \$1,524,000 for this year.

(Testimony of Charles Elsey.)

A. That is correct. [1937]

Q. The present plan, Mr. Elsey, provides for a capital fund immediately following fixed interest, does it not? A. Correct.

Q. If I remember the negotiations, you were the one that was very insistent upon that capital fund. Why do you think you have to have that capital fund?

A. A certain class of expenditures I do not believe should be capitalized.

Q. Although charged to capital under the Interstate Commerce Commission rules? A. Yes.

Q. Your estimate is you should have at least a half a million dollars during the years 1936 to 1940?

A. Yes, sir.

Q. As a matter of fact, you thought it ought to be more than that, did you not?

A. Yes, sir.

Q. And this was a compromise?

A. Yes, sir.

Q. The plan provides for a million dollars for the five years following that, does it not?

A. Correct.

Q. Which was your idea of what it really ought to be? A. Yes, sir.

Q. Would you be willing as the officer responsible for the [1938] operation of this property and its duty to the public to have any part of that capital fund either come out proportionately with some return upon income bonds, or after some return

(Testimony of Charles Elsey.)

on income bonds? The way your plan now is drawn, the whole capital fund comes out after interest charges and before contingent interest charges.

Would you be willing as the responsible officer to have it provided that half of the available net income or one-fourth of the available net income after fixed charges up to the amount of \$500,000, or a million dollars, whatever your figure is, should be applied to the capital fund? . . . A. No, sir.

Q. Why not?

A. As I have said before, I think there is a certain class of expenditures that should not be capitalized.

Q. But if you are going to have all this income that you estimated, then if you took out half of the income after fixed charges until you got up to \$500,000, that being your estimate, you would amply provide for it, and in the meantime you would be providing some return to the existing mortgage bondholders.

A. I have taken the position right along, Mr. Swaine, that this matter of our capital fund should come out before any contingent interest is paid.

[1939]

Q. That is really because you are not at all sure the earnings are going to be there, is it not?

A. No.

Q. If you were sure the earnings would be there, you would be willing to divide the earnings as between a capital fund and interest, would you not?

(Testimony of Charles Elsey.)

A. No, sir, not on a contingent interest.

Q. It has been so provided in various other systems; why not here?

A. I do not know about your other systems.

Q. You want the capital fund sure, do you not?

A. Absolutely.

Q. You want it sure, and you do not believe that if you divided the income after fixed charges you would be sure of this capital fund?

A. No, I am not taking that position, Mr. Swaine. I am taking the position that—

Q. Would you be sure of it?

A. I could not say.

Q. You are very uncertain as to whether—

A. You never can tell the future. The proposition is, there are certain capital charges that come on a railroad every year that are not revenue-producing expenditures, and that money should certainly come ahead of your interest on your income bonds. [1940]

Q. You would not be willing to rely upon your estimates of earnings in determining whether or not you would be sure of your capital fund?

A. It is not a matter of relying on the estimates. This is the policy that I think is the correct policy to pursue in the matter of financing.

Q. That is because you want to be sure of it, is it not?

A. Not only sure, but I say it is a policy.

Mr. Swaine: That is all.

(Testimony of Charles Elsey.)

Q. (By Mr. Wilkinson) Mr. Elsey, in connection with your exhibit 22, which shows your forecast for 1936 to 1940, of the Western Pacific, as to the amount which you show in line 30, interest on equipment trust and lease conditional sale agreement for 1936, \$121,680, is there any provision made in this forecast here for payment of principal on these equipment trusts?

A. That comes out of your capital fund, Mr. Examiner.

Q. You mean that is going to come out of the ten million dollars new money?

A. No, that is out of the capital fund of the \$500,000 a year for the first five years and a million dollars for the second three years thereafter.

Q. What is the total amount of payments on the equipment trusts for 1936?

Mr. Englebright: You mean the principal, Mr. Wilkinson? [1941]

Examiner Wilkinson: Yes, payment on the principal.

The Witness: \$717,933. Of course, we have our depreciation also that is charged out of our income account.

Examiner Wilkinson: Certainly, and do you have it readily available for the future years?

The Witness: Yes, sir.

Examiner Wilkinson: Will you read it into the record, please?

(Testimony of Charles Elsey.)

Mr. Englebright: I can give you that, Mr. Elsey, direct. You have to figure it from that statement, do you not?

The Witness: I was just going to figure it out. The equipment trust of March 1, 1923, is a payment of \$375,000 a year, and the last payment is in 1938. The equipment trust of March 15, 1934, an annual of \$207,000 a year, and the last payment is in 1938. Equipment trust of May 1, 1929, \$73,000 per year, and the last payment is in 1943.

The contract with the Baldwin Locomotive Works dated June 5, 1931, is a payment of \$62,933, and the last payment is in 1941.

(Witness excused.) [1942]

H. E. POULTERER

was sworn and testified as follows:

Direct Examination

Q. (By Mr. Nicodemus) Your occupation, Mr. Poulterer, is what?

A. Assistant freight traffic manager of the Western Pacific Railroad, Sacramento Northern Railway, and Tidewater Southern Railroad.

Q. How long have you been connected with the Western Pacific System?

A. Since April 20, 1931.

Q. Prior to that time, what experience have you had in traffic?

(Testimony of H. E. Poulterer.)

A. I have had approximately 30 years railroad experience, all in the traffic department. I was assistant general freight agent of the Union Pacific System at Omaha prior to going with the Western Pacific.

Q. Did you collaborate with Mr. J. F. Bon in the preparation of Exhibit 22?

A. Yes, I did.

Q. Insofar as the same relates to operating revenues, that is?

A. Yes, operating revenues.

Q. Have you read Mr. Bon's testimony at the hearing on March 23rd? [1943] A. Yes.

Q. Do you adopt that? A. Yes.

Q. You are prepared to stand cross examination on his testimony? A. Yes.

Q. Did you collaborate with Mr. Bon in the preparation of Exhibit 28, the exhibit received this morning, which has the 36 individual statements?

A. Insofar as the operating revenues are shown on that statement, yes.

Q. Have you prepared a separate exhibit, a new exhibit dealing with certain phases of the operating forecasts of revenues? A. Yes, I have.

Q. Will you describe that?

A. It is an exhibit consisting of five pages, entitled "Statements indicating revenues of Sacramento Northern Railway, Tidewater Southern Railway Company, and Deep Creek Railroad Company,

(Testimony of H. E. Poulterer.)

for the years 1929 to 1935, inclusive, and a forecast of revenues for the years 1936 to 1940, inclusive."

Q. Have you any comments to make on the exhibits I have already mentioned, Exhibit 22, Exhibit 29, and this new exhibit which you have prepared, which I now offer as [1944] Exhibit 32?

A. Yes. I would like to make some ~~remarks~~ about this new exhibit.

Mr. Nicodemus: I offer this subject to the further testimony of the witness.

Examiner Wilkinson: The statement indicating revenues of the Sacramento Northern Railway, the Tidewater Southern Railway Company, and the Deep Creek Railroad Company for the years 1929 to 1935, inclusive, and a forecast of revenues for the years 1936 to 1940, will be marked Exhibit 32.

(Exhibit No. 32 Witness Poulterer, received in evidence.)

(Testimony of H. E. Poulterer.)

EXHIBIT No. 32

STATEMENTS
INDICATING REVENUES
OF
SACRAMENTO NORTHERN RAILWAY
TIDEWATER SOUTHERN RAILWAY
COMPANY
AND
DEEP CREEK RAILROAD COMPANY

For Years 1929 to 1935, Inclusive,
and a

Forecast of Revenues for the Years
1936 to 1940, Inclusive.

Office of Freight Traffic Manager,
Sacramento Northern Railway,
Tidewater Southern Railway Co.,
San Francisco, California,
April 3, 1936.

Statement No. 1

Sacramento Northern Railway

FREIGHT TRAFFIC AND FREIGHT REVENUE FOR
YEARS 1929 TO 1935, INCLUSIVE

Commodity	Year	Cars	Tons	S. N. Revenue	S. N. Rev. Per Ton
Products of Agriculture	1929	11,260	296,365	\$417,541.53	\$1.41
	1930	15,800	392,465	526,330.88	1.34
	1931	14,375	384,427	427,833.28	1.11
	1932	12,142	328,315	350,570.50	1.07
	1933	13,865	387,198	336,144.00	.87
	1934	14,662	416,184	375,180.46	.90
	1935	10,712	284,207	303,425.35	1.07

(Testimony of H. E. Poulterer.)

Animals and Products	1929	786	10,193	\$ 19,747.98	\$1.94
	1930	1,217	16,704	30,752.97	1.84
	1931	1,418	19,020	33,237.18	1.75
	1932	831	10,075	17,146.28	1.70
	1933	1,230	14,268	22,930.00	1.61
	1934	1,763	20,247	32,202.86	1.59
	1935	1,481	16,952	32,474.77	1.92
Products of Mines	1929	4,536	216,783	\$114,900.61	\$.53
	1930	3,300	149,342	81,094.69	.54
	1931	2,470	103,000	65,838.53	.64
	1932	2,279	112,011	67,734.66	.60
	1933	1,496	69,140	40,976.85	.59
	1934	1,323	61,620	31,504.89	.51
	1935	2,797	142,520	61,165.81	.43
Products of Forests Chico-Oroville Bridge \$6.00 per car Chico-Oroville Bridge \$6.00 per car Chico-Oroville Bridge \$6.00 per car	1929	1,269	30,362	\$ 39,730.61	\$1.31
	1929	11,862	361,328	71,172.00	.20
	1930	1,165	27,775	38,893.89	1.40
	1930	8	250	48.00	.19
	1931	985	22,843	29,015.46	1.27
	1931	8	258	48.00	.19
	1932	555	12,608	16,056.51	1.27
	1933	608	14,326	16,977.25	1.19
	1934	787	19,714	18,596.31	.94
	1935	798	21,046	20,524.46	.98
Manufactures and Miscellaneous	1929	6,521	172,792	\$344,053.88	\$1.99
	1930	8,734	227,063	433,483.23	1.91
	1931	6,884	194,985	332,830.15	1.71
	1932	5,525	155,541	269,948.56	1.74
	1933	5,911	154,115	260,149.90	1.69
	1934	6,118	172,740	256,972.43	1.49
	1935	7,264	219,749	298,763.05	1.36
Less Carload	1929	-----	31,640	\$143,561.34	\$4.54
	1930	-----	26,707	124,092.37	4.65
	1931	-----	18,687	82,679.50	4.42
	1932	-----	11,242	47,955.06	4.27
	1933	-----	10,507	40,256.53	3.83
	1934	-----	11,967	45,576.08	3.81
	1935	-----	12,990	44,175.01	3.40

(Testimony of H. E. Poulterer.)

TOTAL	1929	36,234	1,119,463	\$1,150,707.95	\$1.03
	1930	30,224	840,306	1,234,696.03	1.47
	1931	26,140	743,220	971,482.10	1.31
	1932	21,332	629,792	769,411.57	1.22
	1933	23,110	649,554	717,434.53	1.10
	1934	24,653	702,472	760,033.03	1.06
	1935	23,052	697,464	760,528.45	1.09

Office of Freight Traffic Manager,
Sacramento Northern Railway,
San Francisco, California,
April 3, 1936.

Statement No. 2

Tidewater Southern Railway Company

**FREIGHT TRAFFIC AND FREIGHT REVENUE FOR
YEARS 1929 TO 1935, INCLUSIVE**

Commodity	Year	Cars	Tons	T. S. Revenue	T. S. Rev. Per Ton
Products of Agriculture	1929	4,617	67,641	\$181,135.84	\$2.68
	1930	6,182	90,144	314,600.68	3.49
	1931	5,181	130,200	185,202.22	1.42
	1932	6,129	180,212	168,692.71	.94
	1933	6,230	202,107	151,903.00	.75
	1934	7,317	205,941	218,192.25	1.06
	1935	5,930	148,365	211,818.94	1.43
Animals and Products	1929	6	71	\$ 134.56	\$1.90
	1930	4	48	107.00	2.23
	1931	5	60	118.00	1.97
	1932	17	208	439.15	2.11
	1933	64	778	1,225.46	1.58
	1934	46	623	975.39	1.57
	1935	49	662	927.54	1.40
Products of Mines	1929	250	11,175	\$ 5,839.46	\$.52
	1930	620	27,714	12,374.30	.45
	1931	617	27,580	10,936.51	.40
	1932	347	15,511	6,874.25	.44
	1933	186	8,314	4,333.13	.52
	1934	326	14,908	8,229.12	.55
	1935	260	11,376	7,305.09	.64

(Testimony of H. E. Poulterer.)

Products of Forests	1929	466	10,392	\$ 13,948.96	\$1.34
	1930	454	10,124	13,769.92	1.36
	1931	211	4,705	5,936.40	1.26
	1932	250	5,575	6,295.95	1.13
	1933	94	2,096	2,491.90	1.19
	1934	154	3,395	3,763.64	1.11
	1935	217	4,914	5,682.05	1.16
<hr/>					
Manufactures and Miscellaneous	1929	2,295	70,570	\$ 75,198.77	\$1.07
	1930	2,294	70,501	80,736.65	1.15
	1931	2,091	64,287	58,862.09	.92
	1932	1,537	47,500	45,186.05	.96
	1933	1,319	41,680	39,418.39	.95
	1934	1,285	40,487	36,912.21	.91
	1935	1,475	44,803	42,444.70	.95
<hr/>					
Less Carload	†1929	—	1,577	\$ 5,740.95	\$3.64
	†1930	—	1,076	3,917.58	3.64
	†1931	—	1,024	3,741.15	3.64
	†1932	—	814	2,961.70	3.64
	1933	—	858	3,061.82	3.57
	1934	—	920	3,446.28	3.75
	1935	—	1,144	4,120.30	3.60
<hr/>					
TOTAL	1929	7,634	161,426	\$281,998.54	\$1.74
	1930	9,554	199,607	425,506.13	2.13
	1931	8,105	227,856	264,796.37	1.16
	1932	8,280	249,820	230,449.81	.92
	1933	7,893	255,833	202,433.70	.79
	1934	9,128	266,274	271,518.89	1.02
	1935	7,931	211,264	272,298.62	1.29

†Tons available for 1933-34-35 only. Tons for 1929 to 1932, inclusive, based on average rate per ton for 1933 to 1935, inclusive.

Office of Freight Traffic Manager,
Tidewater Southern Railway Company,
San Francisco, California,
April 3, 1936.

Sacramento Northern Railway

**FORECAST OF REVENUE FROM TRANSPORTATION AND OTHER RAILWAY OPERATIONS
FOR YEARS 1936 TO 1940, INCLUSIVE**

Account	Item or Account	YEARS				
		1936	1937	1938	1939	1940
Revenue from Transportation						
101	Passenger	\$ 337,668	\$ 353,747	\$ 385,905	\$ 434,142	\$ 466,300
102	Baggage	3,638	3,811	4,157	4,676	5,022
103	Parlor, Dining and Special Car)					
104	Mail	8,596	8,596	8,596	8,596	8,596
105	Express	30,000	30,000	30,000	30,000	30,000
106	Milk	1,000	1,000	1,000	1,000	1,000
107	Freight	855,521	933,295	1,011,069	1,049,956	1,088,843
108	Switching	10,000	10,000	10,000	10,000	10,000
109	Miscellaneous Transportation	10,000	10,000	10,000	10,000	10,000
Total		\$1,256,423	\$1,350,449	\$1,460,727	\$1,548,370	\$1,619,761
Revenue from Other Railway Operations						
110	Station and Car Priveleges	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700
111	Parcel Room	600	600	600	600	600
112	Storage	300	300	300	300	300
113	Demurrage	1,705	1,705	1,705	1,705	1,705
115	Rents of Tracks and Facilities	11,823	11,823	11,823	11,823	11,823
116	Rent of Equipment	4,324	4,324	4,324	4,324	4,324
117	Rents of Buildings and Other Property	7,387	7,387	7,387	7,387	7,387
118	Power	158	158	158	158	158
119	Miscellaneous	695	695	695	695	695
Total		\$ 27,692	\$ 27,692	\$ 27,692	\$ 27,692	\$ 27,692
Total Interurban		\$1,284,115	\$1,378,141	\$1,488,419	\$1,576,062	\$1,647,453
Total City Line Revenues		\$ 38,561	\$ 39,317	\$ 40,073	\$ 40,829	\$ 41,585
Gross Revenue		\$1,322,676	\$1,417,458	\$1,528,492	\$1,616,891	\$1,689,038

Office of Freight Traffic Manager
Sacramento Northern Railway
San Francisco, California
April 3, 1936

(Testimony of H. E. Poulterer.)

Statement No. 4

Tidewater Southern Railway Company
FORECAST OF RAILWAY OPERATING AND OTHER REVENUES FOR
YEARS 1936 TO 1940, INCLUSIVE

Steam Account No.	Item or Account	1936	1937	1938	1939	1940
101	Freight	\$280,000	\$280,000	\$280,000	\$280,000	\$280,000
102	Passenger, Baggage, Dining and Special Car, to 109 Mail, Express and Milk incl.					
110		5,300	5,300	5,300	5,300	5,300
143						
	Switching					
	Miscellaneous Transportation Revenue					
	Total Revenue for Transportation	\$285,300	\$285,300	\$285,300	\$285,300	\$285,300
135	Storage					
137	Demurrage					
142	Rents of Bldgs. and Other Property	\$ 1,836	\$ 1,836	\$ 1,836	\$ 1,836	\$ 1,836
143	Miscellaneous					
	Total from Other Operations	\$ 1,836	\$ 1,836	\$ 1,836	\$ 1,836	\$ 1,836
	Grand Total Railway					
	Operating Revenues	\$287,136	\$287,136	\$287,136	\$287,136	\$287,136

Office of Freight Traffic Manager,
Tidewater Southern Railway Company,
San Francisco, California,
April 3, 1936.

(Testimony of H. E. Poulterer.)

Statement No. 5

Deep Creek Railroad Company

OPERATING REVENUE FOR YEAR 1934 AND 1935

	1934	1935
Freight	\$6,428.49	\$4,670.30
Passenger	133.08	72.78
Mail and Express	486.40	477.42
Miscellaneous	334.93	134.89
Total Operating Revenue	\$7,382.90	\$5,355.39

FORECAST OF OPERATING REVENUE FOR YEARS
1936 TO 1940, INCLUSIVE

	1936	1937	1938	1939	1940
Freight	\$4,700	\$4,700	\$4,700	\$4,700	\$4,700
Passenger	100	100	100	100	100
Mail and Express	500	500	500	500	500
Miscellaneous	100	100	100	100	100
Total Operating Revenue	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400

Office of Freight Traffic Manager,
The Western Pacific RR. Co.,
San Francisco, California,
April 3, 1936.

[Endorsed]: F. D. 10913. Exhibit No. 32. Witness
Poulterer. Filed April 21, 1936.

The Witness: Shall I proceed?

Examiner Wilkinson: Yes.

The Witness: The Sacramento Northern Rail-
way main line extends from Oakland to Chico 176.51
miles, and both freight and passenger service is

(Testimony of H. E. Poulterer.)

operated over the main line and the following branches:

Pittsburgh Branch—West Pittsburgh to Pittsburgh, 2.17 miles;

Woodland Branch—Sacramento to Woodland 16.96 miles;

Colusa Branch—Colusa Junction to Colusa, 21.74 miles; [1945]

Oroville Branch—Oroville Junction to Oroville, 5.49 miles;

Freight service only is operated over the following branches:

Willotta Branch—Creek to Willotta, 17.16 miles;

Vacaville Branch—Vacaville Junction to Vacaville, 4.58 miles;

Rolland Branch—Riverview to Oxford, 15.77 miles;

Swanston Branch—Globe to Swanston, 1.4 miles.

These distances are short operating mileages for passenger trains; freight distances in some cases are slightly longer due to necessity of routing freight trains around the congested urban areas.

It operates passenger street car service in Sacramento 2.57 miles; Marysville and Yuba City 2.19 miles and in Chico 2.68 miles.

The Sacramento Northern Railway does not operate directly into San Francisco on its own rails. Its passenger trains do, however, operate over Key System tracks 4.89 miles to the Key Route Pier in

(Testimony of H. E. Poulterer.)

Oakland, where direct ferry connection is made to San Francisco.

Statement No. 1, Exhibit No. 32 shows the freight traffic and freight revenues of the Sacramento Northern Railway for the years 1929 to 1935, inclusive. As is shown by this statement, its freight traffic while [1946] diversified, consists largely of the products of agriculture, manufactures and miscellaneous.

Its agricultural traffic is largely deciduous fruits, vegetables, dried fruit, grain, chiefly barley, grain products, rice and sugar beets.

In addition to losses on unregulated trucks, the decline in the traffic classed as products of agriculture was due primarily to two reasons:

First was the unsatisfactory market conditions prevailing throughout the East for fruits and vegetables during the past few years, the effect of which was that all of these commodities produced in the territory served by this railroad were not marketed; and second, the abandonment of some production because of competition of other growing districts.

As an example, there formerly was a large area contiguous to Sacramento that produced a substantial quantity of lettuce. It was found that there were other sections in California, chiefly in the Salinas district, that were better adapted to the growing of this particular vegetable, resulting in the abandonment and production around Sacramento,

(Testimony of H. E. Poulterer.)

and while the acreage abandoned consists chiefly of productive soil adapted to the growing of other vegetables, other crops have not been substituted, because of the unsatisfactory market demand.

[1947]

Livestock traffic, as evidenced by the cars, tonnage and earnings, on animals and products, has largely held its own.

The severe decline shown in the products of mines is due to the decrease in coal, sand and gravel, etc. Coal handled by the Sacramento Northern Railway, while not heavy, consists mainly of Utah coal. Its consumption has steadily declined due to its displacement by oil and natural gas. The decline in sand, gravel, etc., is wholly attributable to its loss to unregulated truck competition, but shows some recovery for the year 1935 over 1933 and 1934.

The general decline in the traffic of products of forests has been because of lack of new building and the loss of box shocks tonnage to the unregulated trucks.

Traffic handled by the Sacramento Northern Railway, way classed as manufactures and miscellaneous consists largely of petroleum products, iron and steel articles, cement and canned goods. This traffic reached its lowest level in 1932 and 1933, due both to the depression and to losses to trucks, but there was some recovery in 1935 over the four previous years.

(Testimony of H. E. Poulterer.)

The less-carload traffic handled by the Sacramento Northern Railway is mainly short-haul. This is particularly attractive truck traffic and the losses sustained [1948] by the Sacramento Northern Railway are largely due to unregulated truck competition.

Statement No. 3—we will skip No. 2 for the time being—of Exhibit No. 32^e is a forecast of revenue of transportation and other railway operations for the years 1936 to 1940, inclusive.

In our opinion the increases in passenger and baggage revenue starting in 1934, and continuing through 1935, justify the increases forecast for the next five years. We have reduced passenger rates to a level that is attractive to the traveling public, and with the growing objection of motorists to the hazardous condition on the highways, due to the increase in the accident ratio, we find more and more of them are using the trains for inter-city trips. We also expect to be operating over the San Francisco Oakland Bay Bridge in about October 1937, and it appears at present that we will be the only line at that time in position to render through service without change of equipment, between Sacramento Valley points and San Francisco.

It will also reduce our present running time, both of which should have a decided advantage in attracting additional passenger traffic. The World's Fair to be held in San Francisco in 1939 will, no

(Testimony of H. E. Poulterer.)

doubt, substantially stimulate passenger traffic during that period. [1949]

There is a large population that works in San Francisco that, because of climatic conditions, commutes from and to the surrounding area. While many people commute from and to Berkeley and Oakland, this development never, to any extent, reached the area back of or east of Berkeley and Oakland. The chief reasons for this have been the long transit time in commuting and the inconvenience in reaching that territory by automobile.

The latter is being removed by the construction of street level tunnels under the hills, and with the inauguration of through car service by the Sacramento Northern Railway over the new trans-bay bridge the commuting time will be materially reduced and we look for a substantial commuter traffic. This should develop to a large degree by 1940.

The earnings shown for mail, express and milk, are substantially the same as 1934 earnings on these classes of traffic. We have not shown any increase for the subsequent years to 1940, and while we reasonably expect that this traffic will return some increased earnings, the amount will not have any substantial effect on the total earnings of the property.

Sacramento Northern Railway earnings for 1934 showed an increase of 6.4 per cent over 1933. The 1935 earnings increased but 1.2 per cent over 1934, a greater in- [1950] crease being restricted by freez-

(Testimony of H. E. Poulterer.)

ing weather in the early part of that year, materially cutting down the asparagus crop. These increases, however, indicate that with the upturn in traffic, which has already taken place, plus a reasonably anticipated continued improvement, our freight earnings in the future should increase quite materially.

Various reasons for this are:

It is certainly reasonable to expect an improvement in the market demand in California fruits and vegetables.

The Sacramento Northern serves a territory particularly adapted to this class of agriculture. The Holland Branch, especially, serves a very fertile acreage, particularly adapted to the growing of vegetables, already producing substantially but capable of further increase.

Three new warehouses have recently been constructed at points on this line, one each at Chico, Yuba City and Millar, for the handling of grain and rice, all representing new tonnage.

New bulk loading facilities have been built at Colusa and Millar which will handle bulk grain and rice, tonnage formerly moving by highway truck or by truck and barge.

We are encouraged in the hope for additional sand and gravel tonnage by the fact we now find that due to [1951] increasing truck costs, we are better able to compete with that form of transportation in the handling of this class of traffic.

(Testimony of H. E. Poulterer.)

One of the principal industries served by the Sacramento Northern Railway is the Columbia Steel Company, a subsidiary of the United States Steel Corporation, at Pittsburgh, California. This company is constantly expanding its facilities for the production of various iron and steel articles, all of which should reflect in additional revenue, both in inbound pig iron and coke as well as in the outbound manufactured articles.

The varied traffic consisting of manufactured articles, moving chiefly from the East San Francisco Bay area, is increasing and should continue to increase, all of the industries being reached by the Sacramento Northern Railway through switching arrangements at Oakland:

I have already referred to loss of petroleum products, consisting largely of gasoline. In past years trucks have made serious inroads on this traffic, which formerly moved by rail. We have endeavored to keep our rates on a competitive basis, but as these trucks were unregulated, they had various ways open to them to take this traffic which, under our regulations, we could not meet. [1952]

Increased trucking costs have resulted in some of this traffic coming back to the rails.

As a further indication of this, bulk facilities for the handling of gasoline have recently been installed on our lines to accommodate traffic which heretofore has moved exclusively by truck. The California Railroad Commission is now investigat-

(Testimony of H. E. Poulterer.)

ing rates on gasoline and other petroleum products by both rail and truck. We confidently expect that out of this investigation will come increased revenue for our lines, either through a general increase in the rate level or by placing us in position to better compete at the present level.

In July 1935 a new sugar factory was constructed at Tasco, California, an exclusive station on the Sacramento Northern Holland Branch. The plans of this company call for a material increase in sugar production during the next few years, as compared with the 1935 output. There was a large proportion of the 1935 pack which did not move prior to January 1, 1936, so that the increased earnings from this operation are not wholly reflected in the 1935 earnings.

The revenue shown for switching and miscellaneous transportation is approximately what we earned in 1934. We have not forecast an increase for the subsequent years, but naturally with an increased freight traffic, there no [1953] doubt will be an increase in these two items; the amounts, however, will not have any great effect on the total earnings of the property.

The revenue shown from other railway operations, Accounts 110 to 119, inclusive, for the year 1936, is approximately an average of the earnings for the years 1934 and 1935. Some of these items will no doubt increase, but the total of the earnings is not of any great importance.

(Testimony of H. E. Poulterer.)

The effect of the use of the private automobile has largely been discounted in city line revenues, resulting from street car operations. This class of revenue should more nearly reflect fluctuations in local business conditions and the forecast is based on a nominal increase each year to 1940. If increases we have obtained in these street car operations for the early part of 1936, up to and including April 7th, can be used as any indicator, the forecast we have shown for the years 1936 to 1940 may be considered ultra conservative. For the early part of 1936 these revenues have shown an increase of 9.62 per cent in Sacramento, 11.87 per cent in Marysville-Yuba City, and 7.08 per cent in Chico.

Based on what I have already stated, our forecast reflects the following percentage increases:

Account 101 (Passenger), Account 102 (Baggage), [1954] Account 103 (Parlor, Dining and Special Car revenues), an increase over 1935 to 1940 of 45 per cent spread over the years, 5 per cent in each year 1936 and 1937, 10 per cent in 1938, 15 per cent in 1939, and 10 per cent in 1940. The ultimate forecast earnings for 1940 of \$446,300 is approximately \$19,000 less than the actual 1931 earnings.

Account 107 (Freight Revenue); the forecast earnings for 1940 reaches a 40 per cent increase over those of 1935, spread over 10 per cent each for the years 1936, 1937 and 1938, and 5 per cent each for the years 1939 and 1940. The forecast 1940 earn-

(Testimony of H. E. Poulterer.)

ings are approximately \$106,500 more than the actual 1931 earnings, and \$137,200 less than those in 1930.

Total city line revenues for 1940 is 10 per cent greater than the actual earnings for 1935 at an average of 2 per cent for each of the five years. The amount for 1940 of \$41,585 is approximately \$2800 more than was actually earned in 1932, but \$4,250 less than the 1931 earnings.

The gross revenue of \$1,689,038 is 38.3 per cent increase over 1935, this total increase being spread over the years, 8.3 per cent in 1936, 6.9 per cent in 1937, 9.9 per cent in 1938, 7.3 per cent in 1939 and 5.9 per cent in 1940. [1955]

The forecast gross revenue of \$1,689,038 in 1940 is approximately \$40,775 greater than the actual gross revenue for the year 1931, but is approximately \$394,000 less than the actual revenue in the year 1930.

The Tidewater Southern Railway operates its main line from Stockton to Hillmar, a distance of 51.7 miles, with branches from Manteca Junction to South Manteca, 6.6 miles, and from Hatch to Turlock 6.1 miles. The territory served is essentially agricultural.

Statement No. 2, Exhibit No. 32, shows freight traffic and freight revenues of the Tidewater Southern Railway for the years 1929 to 1935, inclusive. The revenues of this company are largely from the products of agriculture. In addition to the fruit and

(Testimony of H. E. Poulterer.)

vegetable loading sheds served by the line, the principal industries are a sugar factory at Manteca and a cannery at McHenry.

Traffic other than agricultural, consists largely of sugar, canned goods, petroleum products and box shooks.

Statement No. 4 is a forecast of railway operating and other revenue for the Tidewater Southern Railway, for the years 1936 to 1940, inclusive.

The forecast for 1936 is slightly higher earnings than those of 1935. We anticipate that there will be some fluctuations in this revenue for the subsequent years to 1940, but as the small area served by this line [1956] does not afford much opportunity for increased acreage production, we have forecast earnings for each of the remaining five years the same as for the year 1936.

The Deep Creek Railroad Company operates 44.6 miles south from Wendover, Utah, serving substantially a mining territory. Its freight revenues are largely dependent on mining activities in the Gold Hill District at the southerly terminus of the line, although some revenue is derived from sheep moving to winter ranges in the fall and out in the spring.

The revenues of this line have in the past few years been nominal, but with a revival in mining, especially a demand for ore that would warrant the smelting of arsenical ores, which predominate in the district served by this line, it is possible for

(Testimony of H. E. Poulterer.)

a traffic to develop that would substantially increase the revenue; for instance, in the year 1923 the revenues were \$42,385; in 1924 they were \$71,670, and in 1925 they were \$40,268.

In our forecast of earnings for this line, shown on Statement No. 5, we have shown substantially the same revenue for the years 1936 to 1940 as was earned for the year 1935. This was not because we thought there may be no increase—on the contrary, we think there will be—but as this district will probably be the last of any part of the System to benefit from advancing metal [1957] prices or demand by reason of the nature of the ores, and prompted by our desire to keep our forecasts on a conservative basis, we would rather forecast no increase than to over estimate.

We do, however, hold the opinion that it is reasonable to expect that the earnings of this line during the next five years will show some stimulation as mining and metal conditions improve.

In conclusion let me say that all these estimates for the Western Pacific Railroad Company and its subsidiaries have been primarily prepared for the purpose of testing the soundness of the proposed Plan of Reorganization and for that reason we have estimated on a thoroughly conservative basis in order to avoid, if possible, the reaching of misleading conclusions.

Mr. Bon referred to prospects for a general rate level higher than at present. The California Rail-

(Testimony of H. E. Poulterer.)

road Commission has already launched an investigation into the rail and truck rates in California on:

Petroleum and its products,

Household Goods and Furniture,

Rock, Sand and Gravel,

Less - than - Carload and Less - than - Truckload Freight,

Beer and Beverages,

Oil Well Supplies, [1958]

Fruits and Vegetables from and to certain points,

Pickup and Delivery Rates between San Francisco Bay, on the one hand, and Stockton and Sacramento, on the other,

Grain and Grain Products,

and have stated that they will shortly institute one on livestock.

The object of all these investigations is to determine trucking costs and whether, in consideration of those costs, the rail rates should be raised. It is very reasonable to anticipate that some increases in our rates will be ordered. Surely we have nothing to lose. If our rates remain stationary we are certain that because of rising truck costs we will gain in tonnage, resulting in greater revenue; and if our rail rates are increased, our revenue should increase. The question is not so much whether there will be an increase in revenue but, rather, to what extent.

There are vast deposits of minerals, both metallic and non-metallic, in our territory. Development of these has in many cases been retarded by their re-

(Testimony of H. E. Poulterer.)

moteness from markets that could not be reached in competition with imports or sources of supply more advantageously located. A revival in general business conditions will stimulate the development of these resources. [1959]

As an indication of these possibilities: We will in a few days commence to move iron pyrites from Palisade, Nevada, to Garfield Smelter, Utah.

We are now publishing a rate under which we are assured there will be a new movement of crude graphite from Carson City, Nevada, to Oakland.

We also have a very encouraging prospect of moving a large tonnage of volcanic ash from Bed Rock, California, to San Francisco for use in making household cleanser.

There are other developments that, so far, have not passed the promotion stage and cannot yet be classed as prospects. Doubtless many will fail to materialize but some of them may, and no doubt will develop into actual tonnage.

The State of California, the principal state served by the Western Pacific, has not by any means reached its maximum in development and production. Statement No. 3 of Exhibit No. 27 shows the population increase since 1920. It no doubt will steadily increase for many years to come and, naturally, tonnage on the railroad is bound to reflect it. The San Francisco Bay area is very favorably situated as a location for manufacturing and distribution, and as expansion along these lines takes place our tonnage will increase.

(Testimony of H. E. Poulterer.)

In our forecasts we have not been materially [1960] influenced by these probable developments and have tried to keep them within reasonable and conservative limits.

Q. Do you conclude the estimates of operating revenues for the railroad company as presented in Exhibit 22 and for the system as set forth in Exhibit 29 are conservative and may with reasonable certainty be used as a safe basis for a sound plan of reorganization?

A. Yes, I do.

Mr. Nicodemus: You may cross examine him, Mr. Swaine, if you wish.

Mr. Swaine: There is no cross examination. I do not think it will be profitable to cross examine on speculations. We all realize what the future prognostications are.

Examiner Wilkinson: Is Mr. Poulterer the only man that you are going to put on now for the traffic studies?

Mr. Nicodemus: Yes, sir.

Examiner Wilkinson: Does any one of the other parties desire to cross examine?

Mr. Poulterer, you will be here this afternoon, will you not?

The Witness: Yes.

Examiner Wilkinson: All right. You will be excused temporarily. We might want to ask a few questions, our [1961] selves.

(Witness excused.)

(Whereupon, a short recess was taken.)

Mr. Nicodemus: Call Mr. Englebright. [1962]

E. W. ENGLEBRIGHT

testified further as follows:

Direct Examination

Q (By Mr. Nicodemus) Mr. Englebright, you testified at the last hearing in support of the operating expenses presented in Exhibit 22. Are you now prepared to support the corresponding estimates in Exhibit 29?

A. Yes. I have prepared an exhibit in response to Examiner Boyden's question as to the details of operating expense estimate for 1936 and the other operating expense estimates that were shown in Exhibit 22, filed at that time.

Q. I did not understand he asked for an exhibit, he simply said he would like to have your work sheets, or something to support it, and this is what?

A. I had to prepare it.

Q. And this is what you supply?

A. I supply this in response to Examiner Boyden's request for further details in connection with the operating expenses as estimated and shown on Exhibit 22.

Mr. Nicodemus: This will be Exhibit 33, I believe.

Examiner Wilkinson: The statement entitled "Additional Information requested by Examiner

(Testimony of E. W. Englebright.)

Boyden relating to estimates of operating expenses" will be marked as Exhibit No. 33. [1963]

(Exhibit No. 33, Witness Englebright, received in evidence.)

EXHIBIT NO. 33

ADDITIONAL INFORMATION REQUESTED BY EXAMINER BOYDEN RELATING TO ESTIMATES OF OPERATING EXPENSES OF THE WESTERN PACIFIC RAILROAD COMPANY AS SHOWN BY EXHIBIT 22.

Maintenance of Way and Structures:

Owing to the collateral benefits and effect on Maintenance of Way and Structures expense of the 183 miles of rail renewal and the 110 miles of ballast work being carried out in 1936, as shown by Exhibit 23, the Operating Expense of which is expected to be charged to Profit and Loss (if the Interstate Commerce Commission approves), the estimate for "Ordinary" maintenance for 1936 has not been materially increased over that of 1935 as will be shown below. The estimate for 1936 represents an increase of about \$165,000 for "Ordinary" maintenance over the similar actual expenditures for 1935.

Reported Maintenance of Way & Structures expenses for 1935 were \$2,369,169. Deducting \$453,075 operating charges due to 1935 Budget work (in which is included \$345,896 relative to laying 100 miles of new rail in 1935 and \$7,140 carried over from 1934

(Testimony of E. W. Englebright.)

in connection with renewal of 43 miles of rail in that year) and \$73,000 expended due to unusual 1935 storm conditions, leaves a balance of \$1,843,094 for 1935 "Ordinary" Maintenance of Way & Structures.

The estimated 1936 "Ordinary" Maintenance of Way & Structures expense of \$2,008,565 plus the 1936 routine budget and carryover operating expenses of \$111,435, make up the \$2,120,000 shown by

Exhibit 22.

From above:

1936 "Ordinary" M. W. & S.....	\$2,008,565
1935 "Ordinary" M. W. & S.....	1,843,094

An increase for 1936 "Ordinary" of.....\$ 165,471

This increase is expected to be necessary for:

Increased tie renewals, labor and	
material.....	\$ 70,000
Ordinary bridge and culvert work.....	45,000
Painting buildings, etc.....	15,000
Wage restoration increase.....	15,000
Water service and miscellaneous.....	20,471

Total increase for 1936 "Ordinary".....\$ 165,471

The estimates for Maintenance of Way & Structures for 1937 and 1938 (during which years the Rehabilitation Program will be in progress) represent flat estimates based on the expected increased use due to the assumed increase in traffic and also on the

(Testimony of E. W. Englebright.)

continued assumption that Operating Expenses of the Program will be charged to Profit and Loss.

The estimates for 1939 and 1940 represent similar flat estimates with due regard to the continued benefits resulting from the rail renewal and ballast work to be accomplished under the Rehabilitation Program during 1936, 1937 and 1938. The placement of nearly 300 miles of ballast and approximately 500 miles of new 100-pound and 112-pound rail with improved joints, tie plates, and appurtenances will result in permanent benefit to track maintenance expense.

Maintenance of Equipment:

Owing to the improvements under way during 1936, as shown by Exhibit 23, the Operating Expenses of which are expected to be charged to Profit and Loss (if the Interstate Commerce Commission approves), the total direct operating expenses chargeable to Maintenance of Equipment for 1936 are estimated at about \$143,000 LESS than actual similar expenses accrued in 1935.

This reduction occurs principally in the estimated requirements for Freight Car Repairs, as shown below:

(Testimony of E. W. Englebright.)

MAINTENANCE OF EQUIPMENT
Comparison of 1935 Actual and 1936 Estimated

	Actual 1935	Estimated 1936	Increase or Decrease
Superintendence	\$ 62,219	\$ 65,000	\$ 2,781 Inc.
Steam Loco.—Repairs.....	712,872	768,000	55,128 Inc.
Frt. Train Cars—Repairs	564,855	400,000	164,855 Dec.
Pass. Train Cars—Repairs	87,414	60,000	27,414 Dec.
Float. Equip.—Repairs.....	58,240	30,000	28,240 Dec.
Work Equip.—Repairs.....	29,705	55,000	25,295 Inc.
Miscel. Equip.—Repairs.....	65,911	60,000	5,911 Dec.
<hr/>			
Total Direct.....	\$1,581,216	\$1,438,000	\$143,216 Dec.
Depr. & Retirements.....	566,242	620,000	53,758 Inc.
<hr/>			
Total M. of E.....	\$2,147,458	\$2,058,000	\$ 89,458 Dec.

The estimated Maintenance of Equipment Operating Expenses for 1937 and 1938 (during both of which years the Rehabilitation Program will be in progress) represent flat estimates based on the increased estimated revenue and on an assumed depreciation of \$620,000 annually, and the continued assumption that Operating Expenses of the Rehabilitation Program will be charged to Profit and Loss in those years.

The estimates for 1939 and 1940 represent similar flat estimates with due regard to the continued benefits resulting from the large amount of freight car work to be done under the Rehabilitation Program during 1936, 1937 and 1938 and the necessary increases incident to the estimated level of revenues for such years.

(Testimony of E. W. Englebright.)

Traffic Expense:

Traffic Expense for 1935 was \$666,457 and is estimated by that department at \$663,000 for 1936.

Estimates for four subsequent years are flat estimates with provision for increased solicitation and other necessary expenses believed to be necessary for increased volume of traffic assumed by the estimate.

Transportation Expense:

It has been assumed that Transportation Expenses for 1936 will not be substantially increased over such expenses for 1935, since the assumed increase in traffic can be handled without increased freight or passenger train miles.

Wages had not been fully restored to present levels for the first three months of 1935 but if they had been so restored, the increase in 1935 would have approximated \$32,000 in Transportation accounts. Additional fuel costs have been assumed at approximately \$40,000 with a resulting aggregate increase in estimated Transportation Expense for 1936 amounting to approximately \$72,000 over such costs for 1935.

A comparison of such estimated Transportation Expense for 1936 with actual figures for 1935 is shown below:

(Testimony of E. W. Englebright.)

Accounts	Actual 1935	Estimated 1936	Increase
Total Operating Revs.....	\$12,907,071	\$13,438,000	\$530,929
Transportation:			
Supervision and			
Dispatching	\$ 249,939	\$ 252,000	\$ 2,061
Station Service	688,674	694,000	5,326
Yards and Terminals.....	776,668	782,000	5,332
Engine Service.....	1,958,030	2,007,000	48,970
Train Service.....	831,917	838,000	6,083
Miscellaneous	288,412	290,000	1,588
Casualties	197,682	200,000	2,318
Total Transportation.....	\$ 4,991,322	\$ 5,063,000	\$ 71,678
Transportation Ratio.....	38.7%	37.7%	Dec. 1.0%

Transportation Expense for years 1937 to 1940, inclusive, has been estimated primarily as a ratio to revenues, such ratio being based on our best judgment as to what such ratio would be with traffic of the volume represented by the assumed level of revenues set forth. No attempt has been made to break the expense figure thus found down to different groups of expense.

Miscellaneous Expense:

Estimated expenses for Dining and Buffet service, Hotels, and Other Miscellaneous Operations for 1936 to 1940, inclusive, are flat estimates. In comparing these estimates with the record of this account for past years it must be remembered that prior to 1935 cost of production or purchase of ice and salt used for refrigerator cars was included but is now charged through other accounts.

(Testimony of E. W. Englebright.)

For convenience, there is shown below the amount of such ice and salt expense included under this heading for the years 1924 to 1934, inclusive.

Expenses Covering Cost of Ice and Salt Sold

1924	\$217,027.96	1930	\$412,417.34
1925	253,625.86	1931	274,755.36
1926	287,130.37	1932	267,484.33
1927	342,474.30	1933	237,192.44
1928	369,300.21	1934	311,244.93
1929	280,872.89		

General Expense:

Estimates shown for 1936 to 1940, inclusive, are flat with gradual increase to cover expenses incident to the added business expected.

Transportation for Investment—Credit:

Figures shown represent flat estimates covering principally the effect of the work being carried forward under the Rehabilitation Program.

Railway Tax Accruals—Ordinary:

Figures shown for 1936 to 1940, inclusive, represent estimate of Tax Department based on the assumption that present methods of assessment now in use in California, Nevada and Utah will continue during the ensuing five years.

Excise Taxes:

Estimates for Excise Taxes are shown separately for "Ordinary" Maintenance and Operations and for the expense of the Rehabilitation Program.

In estimating the labor proportion of ordinary operating expenses, labor has been estimated at 60%

(Testimony of E. W. Englebright.)

of the total. Direct departmental estimates for labor of the Rehabilitation Program were used for estimating excise taxes thereon.

Hire of Equipment—Net Debit:

Figures shown for years 1936 to 1940, inclusive, represent flat estimates based on a review of past experience. Comparison with previous years must consider that, effective January 1st, 1935, rentals received for Western Pacific owned refrigerator cars leased to Pacific Fruit Express Company can no longer be credited to this account.

It must also be remembered that Western Pacific's payments for car hire are largely represented by payments for use of refrigerator cars on a mileage basis, which payments amounted to \$855,053 in 1935. Payments in connection with other private line cars amounted to \$67,812 for 1935.

Credits for lease of Western Pacific refrigerator cars to Pacific Fruit Express Company and charges for mileage on refrigerator cars used by the Western Pacific are more particularly set forth on Page 2 of Statement No. 8 of an exhibit subsequently to be offered and which will be entitled "Additional Exhibits as Requested by Counsel for Creditors or Examiners for Interstate Commerce Commission at Hearing Held March 23, 1936, together with Supplementary Explanatory Memoranda."

Joint Facility Rents—Net Credit:

Amounts shown by estimates for 1936 to 1940, inclusive, represent estimates arrived at by applying

(Testimony of E. W. Englebright.)
an average percentage of revenues based on past performance.

[Endorsed]: F. D. 10913. Exhibit No. 33. Witness E. W. Englebright. Filed April 21, 1936.

Q. (By Mr. Nicodemus) Referring to statement No. 9 in Exhibit No. 29, System Income Account for the years 1922 to 1935, do you consider the figures indicate the amount available for interest in the years 1934 and 1935, to be fairly representative for the level of revenues received in those years?

A. I think the earnings as represented by "Available for Interest" in 1934 and 1935 must be viewed with respect to certain charges that entered into the accounts in both of those years, which had a distorting effect.

For example, in 1934, statement 9 shows available for interest as \$1,084,243. In viewing this figure in respect to our proposed Reorganization Plan, we could with propriety add back to that figure \$133,766, which in the accounts for 1932 represented amortization of discount on our first mortgage bonds.

We could also add back \$97,683, representing the five months' pension expenses included in that year.

We also laid 43 miles of rail that year, which involved operating expenses of \$107,286.

I think that all of those items were more or less special as far as 1934 is concerned, and after they

(Testimony of E. W. Englebright.)

are all charged back we would have what might be called 1934 [1964] available adjusted for these abnormalities of \$1,422,978.

Similarly, in 1935 statement 9 shows available for interest as \$805,589.

Similarly we would add back amortization of discount on bonds, which in that year was \$135,401.

Operating charges on 100 miles of rail plus a slight carry over from the 1934 job amounted to \$353,036.

We had a very disastrous slide situation in April in the Feather River Canyon which tied the road up for a considerable period and which involved the necessity of detouring passenger and freight trains over the Southern Pacific Lines from Sacramento to Flanigan, and in some cases from Sacramento to Weso. The detour expenses involved in that operation in part were charged against revenues as prescribed by the Commission to the extent of \$65,306. The extraordinary expenses in connection with the maintenance of way and structures account having to do with that slide amounted to \$29,324.

The transportation account, due to some details of the manner in which the Commission has these things taken care of, also is charged with a certain amount of the detour expense, and that figure amounted to \$23,171.

There were pension charges in 1935 for four months of \$51,593, but during 1935 there was also

(Testimony of E. W. Englebright.)

a credit taken into other income of \$149,267, which will adjust out the [1965] pension items in the two years.

Adding all of those figures back and deducting the pension refund, we would have what might be called 1935 with abnormalities removed, showing the available for interest as \$1,314,153.

Q. Were there any unusual conditions affecting operating revenues during the years 1934 and 1935 to which you wish to refer?

A. Yes. In 1934 the company received the benefit of a rather artificial situation created by the port strike in San Francisco and other Pacific Coast cities, which resulted in considerable additional business, and particularly north and south via the Northern California Line; whereas in 1935 practically at the same time of year we suffered from the bad effects of the serious lumber mill strike which continued for about three months among the lumber mills in the northwest territory which supplies much of our northern California traffic.

Q. Have you any general comments to make on Exhibit 29?

A. Yes, I have, but before leaving this subject I think that there is another factor of distortion between 1934 and 1935 that must be considered.

Q. Put it in.

A. That is that in 1934 the wage deduction was largely in effect throughout the entire year, whereas in 1935 the [1966] restoration had been made for

(Testimony of E. W. Englebright.)

the latter nine months, which had a tendency to improve the available for interest for 1934 as reported and changed its relationship as to 1935.

Q. That explains why you had a lower net and higher gross in 1935 as against 1934?

A. Yes.

Q. All right.

A. Taking up exhibit 29 in more detail, it is necessary to call attention to certain factors to aid in its interpretation.

Exhibit 29 consists of 36 statements of one or more pages each and having to do with various estimates or records relating to The Western Pacific Railroad Company and its subsidiaries.

Statements 1 to 7, inclusive, set forth an estimated consolidated income account for The Western Pacific Railroad Company and rail line subsidiaries for the years 1936 to 1940, inclusive.

The estimates for The Western Pacific Railroad Company shown on Statements 3 to 7, inclusive, are the same as those shown on Exhibit 22 heretofore filed. The estimated revenues for subsidiary railroad companies are based on estimates filed by Mr. Poulterer in this proceeding.

Particular attention is directed to Notes 1, 2, 4 and 6 on Statement No. 1, which sets forth important conditions bearing on the estimate.

Statement No. 2 is a recapitulation showing the estimated consolidated income account for The Western Pa- [1968] cific Railroad Company and its three subsidiary railroad companies shown in the

(Testimony of E. W. Englebright.)

title. but with all inter-company transactions eliminated.

Attention is called to the comparison of estimated "Available Net Income After Fixed Interest Charges," set forth on Line 37 of this statement, with the comparable figures for The Western Pacific Railroad Company only, as set forth by Line 34 on Exhibit 22, filed March 23rd in this proceeding.

Such a comparison shows that the consolidated income estimate produces available net income after fixed charges which is not materially different from that found by consideration of The Western Pacific Railroad Company only.

In 1936 the consolidated statement when compared with Exhibit 22 shows a reduction of such income by \$104,854; in 1937 a reduction of \$83,994; in 1938 a reduction of \$28,634; in 1939 an increase of \$7626; in 1940 an increase of \$57,986.

The consolidated statement estimates that the fixed charges contemplated by the Plan of Reorganization would be earned 1.87 times in 1936; 2.59 times in 1937; 2.92 times in 1938; 3.47 times in 1939 and 3.88 times in 1940.

Operating expenses of the Sacramento Northern Railway and Tidewater Southern Railway Company have been estimated in collaboration with the operating officers of [1969] those companies, and the various eliminations of inter-company accounts were carried out with the assistance of the General Auditor's staff.

(Testimony of E. W. Englebright.)

The fixed charges set forth are those contemplated by the Reorganization Plan filed with this Commission February 8, 1936.

Statements 3 to 7, inclusive, are the detailed estimates for each year for the constituent roads of the System and a consolidation thereof for each year under consideration.

Statement 8 consisting of 3 pages, contains pertinent explanatory data to aid in reviewing Statement 9.

Particular attention is directed to the information given by Statement 8 with respect to the periods when certain additional road mileage became part of the System and to further information in connection with such acquisitions as set forth more in detail by Statement 20.

Much of this increase in System mileage was acquired or constructed just prior to or during the depression period and has not yet had an opportunity of contributing earnings up to the level expected in a period of normal business activity.

Statement 9 is a consolidated income account record of the System lines with all inter-company transactions eliminated. Review of this statement must be considered concurrently with information given in Statement 8 if misleading interpretations are to be avoided.

Especially important is the information with respect to the Improvement Programs in effect during the period 1927 to 1931, inclusive, as set forth more specifically in Statements 21, 24 and 27.

(Testimony of E. W. Englebright.)

Much of the pick-up of deferred maintenance accomplished during that period was charged to ordinary maintenance and not included in the Operating Expenses of the programs as separately set forth by the various statements submitted.

Reference to exhibit 23 will show that the operating expenses incident to the 3-year rehabilitation program are estimated at approximately \$5,000,000, which may be taken as representative of the amount of deferred maintenance existing January 1, 1936.

It is apparent that if such deferment had not accumulated, the amounts available for interest in past years would have been lessened by \$5,000,000, but it is not possible to allocate with any accuracy the particular years which would have been affected.

For example, physical depreciation of rail and equipment commences at once with initial use.

However, even if the \$5,000,000 in deferred maintenance should be considered to have accrued entirely during [1971] the 14 year period shown by Statement 9, the average amount available for interest annually would have been approximately \$1,800,000 or 1.7 times the maximum fixed charges indicated by the Plan of Reorganization.

Attention is called to the inclusion of "Amortization of discount on first mortgage bonds" as a deduction prior to setting forth amounts "Available for interest." If the present bond issue is retired and replaced with other bonds exchanged or sold at par, this deduction would be eliminated except

(Testimony of E. W. Englebright.)

to the small extent necessary to amortize the expense of issuing the new securities.

Various changes in accounting procedure prescribed by the Interstate Commerce Commission must also be considered.

Statement No. 10 shows The Western Pacific Railroad Company's revenues on business interchanged with certain subsidiary or affiliated lines. Attention is called to the unusual record of sustained revenues contributed by these roads during the depression period—a record that demonstrates the worth of these lines as traffic producers even under adverse conditions.

Statement 11 requires no comment.

Statements 12, 13, 14 and 15 show a record of advances made, respectively, to the Sacramento Northern Railway, Tidewater Southern Railway Company, Deep Creek Railroad Company and Standard Realty & Development Company. [1972]

Particular attention is called to the column headed "Total Returned to The W. P. R. R. Co." on statement 12 relating to the Sacramento Northern Railway, and also to the fact that Statement 13 shows that the Tidewater Southern Railway Company has repaid all advances made by the parent company except the portion expended for additions and betterments and converted to a long-term note on which interest is being earned and paid.

Statement 16 and supporting details on pages 2, 3, 4 and 5 thereof are presented to show an ap-

(Testimony of E. W. Englebright.)

proximate value of the physical properties of the system.

Statements 17, 18, 19 and 20 are presented as information intended to be helpful in connection with the historical record of revenues and maintenance accounts of the system companies.

Statement 21 is largely self-explanatory but particular attention is directed to Section 6, which relates to the Western Pacific Improvement Program under way from 1927 to 1931, inclusive. It will be noted that only approximately \$8,000,000 of the contemplated \$18,000,000 program was accomplished and further progress halted due to depression conditions.

All rail laid in the Feather River Canyon during 1927, 1928 and 1929 was for curve renewals only—not out of face renewals. As has been previously stated, much [1973] operating expense in connection with elimination of deferred maintenance was not accounted for as part of the improvement program but charged out through ordinary maintenance accounts.

Statement 22 is a record of the income account of The Western Pacific Railroad Company for the period 1922 to 1935, and is self-explanatory.

Testimony concerning statement 23 can be given by Mr. DeGraff, if desired.

Statement 24 contains supplementary data to aid in review of the income record of the Sacramento Northern Railway shown by statement 25.

(Testimony of E. W. Englebright.)

While the improvement program of the Sacramento Northern Railway carried only \$202,719 of charges to maintenance expenses, there was also a large amount of deferred maintenance eliminated during the years 1929, 1930 and 1931 with consequent increase in such charges. The increase in mileage due to acquisition of the San Francisco-Sacramento Railroad on January 1, 1929, also required an increase in May and structures and equipment maintenance.

Testimony concerning statement 26 can be given by Mr. DeGraff, if desired.

Statements 27 and 28, relating to Tidewater Southern Railway Company, are self-explanatory, but the same remarks [1974] apply concerning improvements in 1929, 1930 and 1931 as were made in connection with similar elimination of deferred maintenance on the Western Pacific and Sacramento Northern.

Testimony concerning statement 28.1 can be given by Mr. DeGraff if desired.

Statements 29 and 30, relating to Deep Creek Railroad Company, are self-explanatory.

Testimony concerning statements 31 to 36, inclusive, can be given by Mr. DeGraff if desired. [1975]

Q. Have you in your notes, Mr. Englebright, a statement of the total amount earned and available for interest in the years 1922 to 1935 for the system? You have given certain percentages but you have not given the figures.

(Testimony of E. W. Englebright.)

A. The total for the 14 years is \$30,322,881.

Q. Or a yearly average of what, in dollars?

A. \$2,165,920.

Q. The same as on statement 22? A. Yes.

Q. Total available for interest for the years 1922 to 1935, inclusive?

A. \$34,568,184. I do not have my figures here, but if it is all right to take Mr. Nicodemus' figures I will read them.

Q. Well, it is mathematical.

A. It is a matter of arithmetic. Total for 14 years, \$34,568,184; yearly average, \$2,469,156.

Mr. Nicodemus: That is all for Mr. Englebright.

Cross Examination

Q. (By Mr. Swaine) Those figures you just last mentioned are before deducting that \$5,000,000 of under maintenance, are they not?

Mr. Nicodemus: They are.

The Witness: Yes, that is right. [1976]

Mr. Swaine: Have you made the mathematical computation to indicate what the average would have been?

Mr. Nicodemus: No, I have not made it, but it would be \$5,000,000 divided by 14.

Mr. Swaine: It would be a little less than \$400,000 a year; and what did you say the average was for your whole period down to date?

Mr. Nicodemus: 1.7.

Mr. Swaine: No, no, I am not talking about the percentage.

(Testimony of E. W. Englebright.)

The Witness: Money, you mean; for the system, Mr. Swayne, or the railroad?

Mr. Swayne: For the system. You had the average.

Mr. Nicodemus: \$30,322,881.

Mr. Swaine: Oh, I know, but what was the average?

Mr. Nicodemus: The average is \$2,165,920.

Mr. Swaine: For the whole period?

Mr. Nicodemus: For the whole period including the depression years.

Q. (By Mr. Swaine) Now, take off your \$400,000 and that gives you what? That will give you \$1,700,000.

A. That is your average.

Q. I am trying to find out what the average was on a basis of normal maintenance.

A. Let us take the \$5,000,000 off the \$30,000,000 and [1977] then divide it. It is \$25,322,881 divided by 14, is not that right?

Q. All right.

A. We will see if we can get that. That would be about \$1,820,000, something in that neighborhood.

Q. Now, Mr. Englebright, as I understand the plan it takes about \$1,650,000 before you begin to pay any interest at all on the income bonds, so that on the average the income bonds would have earned but 10 per cent of their interest during that entire period, is that right?

(Testimony of E. W. Englebright.)

A. You are looking at that original estimate that we had?

Q. No, I am talking your average figure then I am applying it to the plan. A. Yes.

Mr. Nicodemus: Of course, a great part of that period the northern California extension was not in operation.

Q. (By Mr. Swaine) Your computation had not put the capital fund in. On page 4 of the plan you show fixed charges of \$1,148,000. Now, add your \$500,000 capital fund even during the low stage and you get \$1,600,000, which would have left—

A. About \$172,000.

Q. And that is less than the amount of your advances to the various subsidiaries for amounts not charged to [1978] income.

A. It is less than those amounts have been in the past, yes.

Q. So that taking the average you would have paid no interest on any of your income bonds, is not that so?

A. I thought that we just agreed that in the plan \$1,148,000 was the fixed charges.

Q. Yes, and with the capital fund of \$500,000, which Mr. Elsey says is too low and ought to be a million, on the average you would not have earned any interest on your income bonds? Is not that correct? I just want a factual statement.

A. Let me ask a question. This average that we

(Testimony of E. W. Englebright.)

were working with here, is that the system average?

Mr. Nicodemus: Yes.

The Witness: I just want to be sure that I understand this before I answer it.

Our \$72,000 would have been what there would have been available for the income bonds, that is correct.

Q. (By Mr. Swaine) But you would have to use it really to make advances, you would have needed it for advances to these other subsidiaries; so that if you had had to pay it as interest, you would have had to have gone out and borrowed money, or else you would have had to trim the capital fund from what Mr. Elsey said it ought to have [1979] been. Of course, if your fund had been a million instead of five hundred thousand dollars, you would have been just \$500,000 short of what Mr. Elsey thinks you ought to have.

Mr. Nicodemus: Mr. Elsey did not say he expected to spend that fund every year. That is the difficulty of putting a statement like that on the record.

Mr. Swaine: I am only taking what the plan says.

Mr. Nicodemus: I would like to answer Mr. Swaine on that, that Statement 12 shows a record of the advances to the Sacramento Northern, and after we take up the monies that immediately returned to the Western Pacific's pocket. In other words, you will find a column over here headed "To reimburse general cash." There is only one year,

(Testimony of E. W. Englebright.)

and that was the year 1932—and 1935—which were over the \$72,000. In fact, there is only one other advance, and that is a minor amount of \$15,094. I might say that in the 273,000 which shows "To reimburse general cash" during 1935, it must be considered that at the end of the year the Sacramento Northern had \$137,000 of that money still on hand.

Q. (By Mr. Swaine). All right, we will say there is \$75,000 applicable to \$2,300,000 of income bond interest. That does not make the income bond very good, does it?

A. He would not get very much interest on that basis, no.

Q. You would have some doubt, would you not, as to the soundness of a plan which put \$41,000,000 of indebtedness out which showed an average return of \$75,000 a year?

I will waive the answer to the question. I think it is obvious.

Mr. Nicodemus: I do not think you should waive it. I think he should answer it and answer it fully.

The Witness: I was endeavoring to frame and answer. Stated in the way that Mr. Swaine states the question, in that simple manner, the answer is, of course, as you said, obvious. But I think that we get immediately back to the situation of interpreting what has happened in this income period. I mean in the way of extraordinary expenditures and things of that character.

(Testimony of E. W. Englebright.)

Q. (By Mr. Swaine). Those have been taken out, have they not?

A. The operating expenses and improvement program.

Q. I am not sure we have. From what period did we start? A. 1922 to 1935.

Q. A substantial part of that under maintenance occurred during that period, did it not?

A. Yes, some part of it.

Q. You get into a fairly speculative realm, then, if you [1981] try to figure out how much of it had occurred prior to 1922? A. Yes.

Q. So the figure is not very substantially distorted after all, is it?

A. Your thought being that the operating expenses of the program were working on deferments that had occurred at some previous period?

Q. Yes, that is right. That becomes aggravated when you add an additional \$485,000 for a junior lien income interest, does it not? So you have some \$2,763,000 of contingent interest here with an average of \$75,000 a year to meet it.

Mr. Nicodemus: On the basis of the roads whose earnings are covered by that statement, is that correct?

The Witness: Yes.

Mr. Nicodemus: Which does not include the northern California extension except for the past few years.

The Witness: That is true. That is a very im-

(Testimony of E. W. Englebright.)

portant point; that the northern California extension did not come into the picture until November, 1931, and as I mentioned in my prepared testimony, there are a number of other branch lines with very substantial earning capacity which came into the picture late in that period. [1982]

Q. (By Mr. Swaine).. Of course, so far as the past is any criterion, if you took the average from the time those particular properties were acquired or came into operation, your result would be worse instead of better?

A. I did not follow you, Mr. Swaine.

Q. Mr. Nicodemus' implication was that my inference was unfair, because a great number of lines were not being operated which have not been operated through the period for which the average was taken.

A. That is right.

Q. I agreed that that is an entirely fair comment on that. On the other hand, if you take the average for the period since these lines were acquired, you will get an even worse result on the fact.

A. But that would be a very unfair period to take, due to the fact that many of these lines were completed just before the beginning of the depression, and of course we got into a situation that was hardly a gauge for estimating what we hope will be the future.

(Testimony of E. W. Englebright.)

Q. I agree. I do not dissent from that. But so far as the actual record is concerned, it does not show any interest on any of these contingent obligations. That is correct, is it not?

A. I would have to look at that to be sure. That is, you say, this average— [1983]

Q. An average since the acquisition. It is very obvious that it is, because all that it has done has been to earn—indeed, it has not earned the fixed charges under the plan in any year.

A. That is right.

Q. In the last five years, let alone anything toward the capital fund.

A. That is correct.

Q. A little while ago you gave some adjusted figures for 1934 and 1935.

A. Yes.

Q. I have forgotten your final adjustment. Would you give that again?

A. In 1934, it was reported—

Q. Do not give the detail, just give the total.

A. The adjusted total?

Q. That is right.

A. \$1,422,000, in round numbers. And in 1935, \$1,314,000, in round numbers.

Q. Would you say that after making that adjustment you had left an adequate charge for maintenance, an adequate, normal maintenance charge?

A. You mean that having made these changes—

Q. Having made these adjustments, is your remaining charge for maintenance of way and equip-

(Testimony of E. W. Englebright.)

ment a reasonable, [1984] normal, charge, adequate to keep the property in good condition?

A. I think it was for the level of revenues experienced in those two years.

Q. It would not be for what you regard as normal revenues?

A. No, it would not.

Q. Also, that would have resulted in the laying of no rail at all in either of the two years, would it not?

A. That is correct.

Q. Do you regard it as normal not to lay any rail for a two year period?

A. No.

Q. Therefore, how can you say it does leave a normal charge?

A. Because we feel that if the fiscal situation had been such that we could have programmed our rail in the way that it should be programmed for a proper financial handling of the matter, or in other words, if we had some sort of an equalization account that we could have resorted to, or something of that sort, I do not believe that we would have had 143 miles of rail to lay in a period only 24 months long. It would have been something less.

Q. How much would it have been?

A. On a 20-year life, the length of our principal mileage [1985] possibly something in the neighborhood of 50 miles.

Q. 25 miles a. year?

A. No, no. I mean to say 50 miles in one year.

(Testimony of E. W. Englebright.)

Q. 50 miles a year. So you would really have had 100 miles under normal conditions?

A. That would be true.

Q. And you have taken out 140? A. Yes.

Q. Of what you have taken out, two-thirds is really normal and should not be taken out?

A. That is true. In the case of preparing these figures last night I do not believe that phase of the situation was fully considered.

Q. You also have not taken out anything for the capital expenditures, have you? I mean the kind that Mr. Elsey thinks ought to be covered by a fund of a million dollars a year.

A. No, because they do not get into the income account.

Q. Yes, I understand that, but they are out before any contingent interest.

A. They would be under the plan.

Q. They are under the plan, and Mr. Elsey definitely recommends that they should be in any plan affecting the property. A. Yes. [1986]

Q. In your prognostications for the future, can you answer the question that Mr. Elsey did not answer as to how you figure your coal costs? What have you done with reference to a possible increase by reason of the Guffey Act?

A. In estimating transportation costs, as is more fully explained in this exhibit 33, aside from the year 1936, the only practicable way to estimate transportation costs is on the basis of a ratio to

(Testimony of E. W. Englebright.)

revenues, and endeavoring in arriving at that ratio to take as best you can the various factors that exist, that is, increased fuel costs or increased wage costs or other things of that character.

I do not believe it practicable to attempt to prognosticate or break down the transportation account into wages and fuel and all these other factors for a period so far in advance, because transportation to a certain point depends on the characteristics of your traffic.

If a very large percentage of it consisted of fruit, for instance, it would require more trains, more train miles, and there would be a different level of revenues from that business as compared with hauling pig iron or some other different sort of a commodity. In other words, the average makeup of your business for the [1987] year would largely determine your revenues, but you cannot always determine the amount of cars and locomotives that will be required to handle that.

Q. In making this forecast you had to estimate some sort of a composition to that traffic, did you not? A. And that is lumped.

Q. Then you took an arbitrary percentage for transportation?

A. An arbitrary percentage.

Q. Therefore, that arbitrary percentage was based upon present prices for commodities of all sorts? A. Yes.

(Testimony of E. W. Englebright.)

Q. So that if there were any increase in commodity prices of any sort—

A. It would affect it.

Q. —it would adversely affect your estimates?

A. It would. Of course, if there were any decrease it would be beneficial.

Q. Are you willing to be a prophet on the course of commodity prices?

A. No, not any more than you.

Q. Landslides and strikes have to be taken into account, have they not, in fixing any capital structure for a property of this sort?

A. You do not understand that the strike that I referred [1988] to had to do anything with our employees? You understand that?

Q. Oh, no, strikes in industries on your property.

A. But the port strike on the Pacific Coast was certainly an unprecedented thing.

Q. That was a favorable effect, but you talked about a lumber mill strike having adversely affected you?

A. Yes, but that situation, which tied up almost a complete industry in the northwest, which was such a large part of our business on the northern California line, was also a very unusual thing. I do not recall any such situation in many, many years.

Q. But does not a plan have to take into account the possibility or, indeed, the probability of labor disturbances?

(Testimony of E. W. Englebright.)

Mr. Nicodemus: That is done by working capital, is it not, reserves?

Mr. Swaine: No, I am talking about the ability to earn interest on your securities.

The Witness: I think we have gone pretty far in an attempt to prognosticate revenues without endeavoring to prognosticate industrial conditions in other industries and things like that.

Q. (By Mr. Swaine). So do I.

A. We have to assume that if everything goes along on [1989] an even keel and with reasonable expectations for improvement in business we would get a certain amount of that improvement due to the growth of the coast and the other favorable factors in our territory. All of those things have been taken into account in our estimates.

Q This landslide in the Feather River Canyon that you thought distorted income for one year—you have had landslides before, have you not?

A. Yes, but not for many years anything as serious as that. In fact, I imagine it is possibly ten years or more, maybe more—I cannot say accurately because I was not with the property at that time, but I have been with the property since 1929 and nothing of the character of that slide has happened before. We have had small slides that interrupted service for 12, 14, maybe 20 hours, but nothing of this character.

I do not recall the exact period—maybe Mr. Elsey can. Do you remember, Mr. Elsey, how long the road was tied up with the Isaiah slide?

(Testimony of E. W. Englebright.)

Mr. Elsey: Portions of it were tied up for about 12 days.

Mr. Swaine: I have no further cross examination.

Q. (By Examiner Wilkinson) Mr. Englebright, you read into the record the ratio between your maintenance [1990] expenditures and your revenues for the past years, and of course your exhibits in this case given for your forecast 1936 to 1940. Do you have those ratios before you?

A. Yes. I can put my hand on them here in just a minute.

Q. Will you say that during the period 1921 to 1926, inclusive, your maintenance on the property was normal?

A. Was normal? I am a little out of my depth in endeavoring to answer the question because I was not here. I was not with the property at that time.

Q. I thought perhaps you had studied the past records.

A. I have, but I am not familiar with the physical condition of the property at that time. All I can look at is the records.

Q. Just as a question of your judgment, then, during that period the total would be 33, 36, the average?

A. That is that five year average, but you have taken to 1926?

Q. Yes, 1921 to 1926. The average ratio would be 33.36?

A. Yes.

(Testimony of E. W. Englebright.)

Q. Do you consider that as a rule of thumb, I might say, a normal or average ratio?

A. I think that that ratio applied to the property as it will be during the carrying out of the program and as a result of the work done in this improvement program—by that I mean new rail, tie plates, which the original [1991] property did not have, which resulted in very high tie renewals due to cutting, improved ballast, and now during this three year program the laying of 100 and 112 pound rail will result, for instance, in very material benefit to our maintenance accounts, so that I think that a ratio of 33 per cent could be shaded quite materially for future years.

Q. Although as a matter of fact during that same period it is reasonable to assume that a certain amount of deferred maintenance was being incurred?

A. Yes, that is true.

Q. During your period 1927 to 1931, which I understand was your rehabilitation program, your average was 34.56?

A. Yes.

Q. Then from the period 1932 to 1935 your average was 32.05, and even with the extraordinary expenditures during your rehabilitation program your average for the period 1921 to 1935 is far in excess of the average which you have estimated for 1936 to 1940, is it not?

A. Yes.

Mr. Nicodemus: Do you attribute that to advances in the art?

The Witness: I attribute the fact that we have

(Testimony of E. W. Englebright.)

used a lower ratio in the five year period facing us to the things that I have just mentioned to Mr. Wilkinson, that [1992] is, the improved property and the ease with which it can be maintained or the lessened expense at which it can be maintained.

Q. (By Examiner Wilkinson). I mentioned once before the fact that you charged these proposed rehabilitation expenses to operating expenses, so far as your plan is concerned, that is, in the future. Are you aware that the Commission has ruled that such expenditures must be charged to operations?

A. You mean the operating expenses of this rehabilitation program?

Q. Yes.

A. I understood that the matter was before them for decision, but I did not know what the answer had been. [1993]

Examiner Wilkinson: Mr. Elsey, can you answer that? Do you know what the Commission has done on that?

Mr. Nicodemus: Still under advisement.

Q. (By Examiner Wilkinson). And that if they do permit you to charge it to profit and loss, then your estimates for 1936 and 1940 will be materially changed, will they not?

A. Very much. You mean the estimated amounts available for interest?

Q. Yes.

(Testimony of E. W. Englebright.)

A. Very materially. They would be decreased by the amount of the program charges to operating.

Q. You show on your exhibit 22 for a so-called normal maintenance in 1940, \$5,675,000.

A. Yes.

Q. For 1939, \$5,100,000. That is supposed to be after your rehabilitation program.

A. That is correct, but immediately after, you might say.

Q. Immediately after? A. Yes.

Q. It would be reasonable to expect that in the future, then, that would increase rather than remain the same or decrease?

A. That is correct. As time passed on, and the effect [1994] of the renewal of box cars and the other work that is contemplated under the program and the improvements to track and other things commenced to depreciate, eventually, there would have to be some increase in that amount. But for the two years shown, 1939 and 1940, with such a large amount of track work done, and so much work done to freight cars, we feel that those amounts are more than ample to take care of that particular period.

Q. You feel that taking into consideration the past history of this property, the amount of deferred maintenance which has been incurred pretty regularly over certain periods, that the expenditures of around \$5,000,000 would be sufficient for maintenance in the future, normal maintenance?

(Testimony of E. W. Finglebright.)

A. That is the five million dollars chargeable to operating?

Q. Yes.

A. Of course, we would get some benefit from capital expense that goes into the heavier rail, which would affect operating expenses. We feel that the expenditure of the five million dollars on operating expenses of the program would bring the property to what might be called a normal condition to give the service which it should give, economically, and for the level of revenues that are expected in the future, and the character of [1995] railroad that we operate.

Q. Have you ever computed from a percentage standpoint your transportation cost for the exhibit 22?

A. Yes, I think you have it, Mr. Wilkinson. It was submitted. It is the sheet immediately underneath, that photostat.

Q. You start out in 1937 and 1936 with transportation expenses of 37.7, and you drop down in 1940, to 32.1 per cent. Has it been your experience that a road such as the Western Pacific could operate with a ratio of 32.1 per cent transportation expenses as a rule?

A. Not as a rule, but I can show instances when it has operated at 32 per cent.

Q. Would you care to say offhand what you consider to be the average ratio or percentage of that figure?

(Testimony of E. W. Englebright.)

A. I cannot say the average, Mr. Wilkinson. Just how do you use that. for what level of revenues?

Q. Take so-called normal revenues.

A. If we consider normal revenues as something in the neighborhood of that shown by the 1940 estimate, I think the 32 per cent is reasonably attainable with careful management, because we have in the past. For instance, in 1926, on the level of revenues of \$16,057,000, we had transportation expenses of \$5,093,000, or a ratio of 31.72.

[1996]

In the subsequent year, 1927, we had revenues of \$16,433,000, a transportation ratio of 32.82. I refer now wholly to the Western Pacific Railroad Company.

Q. Would you mind reading those into the record for the period 1922 to 1935? I do not think they are in the record.

A. Yes, I can. This is a compilation, this statement at which I am looking, an analysis of the operating expense accounts which have been filed with the Commission. I have a supply of those, and I can offer it as an exhibit, if you wish.

Examiner Wilkinson: Would you mind putting that in the record, please?

Mr. Nicodemus: Would you describe that document so I can offer it? Identify it on the record.

The Witness:—The statement which is offered is an analysis of the Western Pacific Railroad

(Testimony of E. W. Englebright.)

Company's operating expenses and the ratio of those expenses to operating revenues for the years 1916 to 1935.

Examiner Wilkinson: Let the statement which is referred to be marked Exhibit 34.

(Exhibit No. 34, Witness Englebright, received in evidence.)

The Witness: The figures shown both as to revenues and expenses, are the figures reported to the Interstate Commerce Commission on the annual reports. However, this [1997] statement was actually prepared from a file of the annual reports to the company's stockholders, in case there are any minor discrepancies.

Q. (By Examiner Wilkinson). I also note that for your operating ratio for the period 1936 to 1940, you start out with 77.20 and gradually decrease it to 67.90 in 1940. A. Yes.

Q. With the exception of the years 1925 and 1926, the Western Pacific never operated at such a ratio since 1921, did it, or such a low ratio as that?

A. You are talking about the total operating ratio?

Q. Yes, the total operating ratio now.

A. 1921 was higher than that.

Q. 1921, you had operating ratio of 85.85.

A. That is correct. In 1916, the operating ratio was 59.86. In 1917, it was 62.54. In 1918, it was 71.25, or higher than the estimated ratio for 1940.

(Testimony of E. W. Englebright.)

Q. But I am speaking about for the period 1921 to 1935, it was only in the years 1925 and 1926 that you operated at a comparable ratio with what you estimate you will operate in the future.

A. That is true, but that was on a level of revenues, of course, of \$15,569,000 for 1925, and \$16,057,000 for 1926. When our revenues go up our ratio ought to drop.

Q. I think you stated that in so far as you were concerned, [1998] it would be very difficult to allocate any of your deferred maintenance incurred during that year.

A. Yes, I believe that to be true. I have given it a good deal of thought and cannot arrive at any logical process by which we could ascertain or allocate a portion of that deferred maintenance in any specific year, for the reason that, for instance, on rail, the wearing out of that rail has been going on since the day it was first applied. Similarly with freight cars or other sorts of equipment, we feel that the repairs to freight cars have had to go during this depression period because there was no other alternative. The renewal of rail, which was commenced under the old improvement program in 1926, and had to be abandoned in 1931, we feel that that is overdue; but I do not see how any portion of that could be specifically allocated to any one or two years in the back period.

Q. Are you familiar with the formulas used

(Testimony of E. W. Englebright.)

by the Commission in Finance Docket 1606, in the matter of the final settlement under section 209 of the Transportation Act of 1920?

A. No, I do not recognize the formulas, that is, by that designation.

Q. At that time, when it came to a question of settling with the railroads, the question of deferred maintenance, [1999] under maintenance, and so forth, formulas were used by the Commission.

A. Yes.

Q. You are not familiar with those formulas at all? A. No, I am not.

Q. Do you think it would be possible to take the period 1921 to 1930, and take the average during that period as being the normal amount of maintenance for the Western Pacific?

A. Do you mean on a ratio basis, Mr. Wilkinson?

Q. Yes.

A. For the reason that I have previously stated, I think that those figures were possibly higher than they would be on the property after the completion of our new program, for the reason that we still have many miles of track with no tie plates on it whatever, with 85 pound rail, which has always had a tendency to cut into the ties severely and cause adzing. Many ties have been removed from the track in the past, not due to decay wholly, but primarily due to cutting and mechanical wear. With the completion of our program, our entire

(Testimony of E. W. Englebright.)

main line road mileage will be tie-plated adequately, and there will be a large percentage of new ties inserted in connection with the ballast work.

For a period of years now we have been improving our [2000] bridges, trestles, and culverts, with permanent structures. We are improving our water supply and other facilities of that character. I feel that when that work has been accomplished, our maintenance must necessarily be reduced over what it was in some of this earlier period.

Examiner Wilkinson: That is all the questions I have, Mr. Englebright.

The Witness: Thank you.

Mr. Nicodemus: We have no questions to ask Mr. DeGraff ourselves. If any counsel or the Examiner wishes to cross examine the auditor, he is available. Otherwise we are finished.

Examiner Wilkinson: Mr. Swaine, do you have any questions?

Mr. Swaine: I have no cross examination.

Mr. Willard: Perhaps he is the right one to put in, Mr. Nicodemus, the use that was made of the money borrowed from the Railroad Credit Corporation.

The Witness: I think I have that here, if I may refer to another book.

The first note of the Railroad Credit Corporation was dated June 29, 1932. The original amount was \$1,303,000. It was disposed of \$1,231,500 at semi-annual interest due March 1, 1932, on out-

(Testimony of E. W. Englebright.)

standing first mortgage bonds, and \$71,500, the semi-annual interest due [2001] March 1, 1932, on outstanding equipment trust certificates series B.

Note dated March 25, 1933, in the amount of \$1,293,439, was disposed of \$1,232,252 semi-annual interest due March 1, 1933, on outstanding first mortgage bonds, and \$61,187 semi-annual interest due March 1, 1933, on outstanding equipment trust certificates.

As of January 31, 1936, distributions had been made by the Railroad Credit Corporation in the form of credits to the first note, the credits being due the Western Pacific Railroad Company and its subsidiary companies, to a total amount of \$71,532; so that the net amount of the notes still owed the Railroad Credit Corporation January 31, 1936, amounted to \$2,524,907 in even figures.

Mr. Willard: Thank you.

Mr. Coulson: May I ask the witness whether the statement from which he was reading included similar information as to the application of the funds received from the other junior creditors?

The Witness: That particular statement, Mr. Coulson, was wholly the Railroad Credit Corporation.

Q. Have similar statements been prepared for the other junior creditors?

A. Just a moment, I will see if I have that.

Mr. Coulson: I would suggest that, Mr. Examiner, for the [2002] purpose of the record, if they

(Testimony of E. W. Englebright.)

have not been prepared they be prepared and made exhibits in the record for what significance they have.

Mr. Swaine: I think that is a good suggestion, so we will not have any element of fact in dispute.

Examiner Wilkinson: Will you furnish that for the record, Mr. Englebright and Mr. Nicodemus?

Mr. Nicodemus: I understand that the A. C. James note, or the proceeds of that note or the debenture which was issued, were exclusively used for constructing the Northern California extension.

Mr. Coulson: That is correct; but I think so far as the information is placed of record as to one junior creditor, it ought to cover also the Reconstruction Finance Corporation advances.

Mr. Nicodemus: The Reconstruction Finance Corporation I cannot give from memory.

Mr. Coulson: It might as well be covered by an exhibit.

Mr. Nicodemus: There are some capital expenditures out of the Reconstruction Finance Corporation fund, are there not?

The Witness: The statements are quite lengthy, and it would be a difficult thing to read them into the record. I have no other extra copies, but the information is here if you wish it. [2003]

Mr. Nicodemus: We will undertake to file a single exhibit and give the information as to the disposition of the proceeds of all of the notes held by the junior creditors.

(Testimony of E. W. Englebright.)

Mr. Coulson: Can that be assigned an exhibit number now?

Examiner Wilkinson: No, I am sorry, we cannot do that until we receive it.

Mr. Nicodemus: We can reserve a number for it, however.

Examiner Wilkinson: We will give it a number when it is received. At the time it is put into the record, each party will be notified. If you will send us a sufficient number of copies to serve on counsel, we will serve it numbered.

Mr. Nicodemus: All right, I will do that.

The Witness: You mean to distribute them the way we did the last time, through Mr. Nicodemus?

Mr. Nicodemus: I distributed them direct the last time, and I will do it this time.

Examiner Wilkinson: Of course, if you have a future hearing it will be received at that time.

(Witness excused.)

Mr. Nicodemus: I understand that certain counsel want another hearing. Is that correct?

Mr. Swaine: I suggest this procedure, if the Examiner [2004] please. As I stated at the last hearing, our committee has accepted this plan. I think, however, that the testimony has developed several problems in which respect of which we will want modifications of the plan, at least in form. I have a feeling after hearing all this testimony that

the definitions of available net income and provisions for application need clarification. I have also discovered in the plan certain mathematical errors to which I would like to call Mr. Nicodemus' attention at the proper time and have them corrected.

So that apart from any substantive questions we have suggestions to make in respect of the plan.

Our acceptance of the plan was both predicated and conditioned upon its acceptance by the Reconstruction Finance Corporation, and its acceptance by the Railroad Corporation without modification which we would regard as material. In view of the opposition to the plan by the Reconstruction Finance Corporation and the Railroad Credit Corporation at the last hearing, and because of certain questions that the evidence raised in the minds of our committee, we had contemplated suggesting a modified plan. I think, however, and I understand certain other creditors feel that it would be preferable not to present the plan as merely the plan of one group of creditors but to see whether or not the creditors cannot [2005] agree before something is actually formally submitted before the Commission by any one group.

Therefore, my own feeling is that we should take about a three weeks' adjournment in order first that we can call to Mr. Nicodemus' attention the changes that we want in this plan—we have already suggested one modification at the last hearing, and I will have several more to suggest—and second, that in the interim the junior creditors can confer with

the first mortgage bondholders and see whether or not the creditors can agree upon any plan which might be substituted in case the Commission should feel that this plan was not sustained on the record.

Mr. Nicodemus: We are reconciled to a three weeks' adjournment, although we are very anxious to press this for submission to the Commission. I think perhaps it should be a month. Our witnesses all live on the Coast, Mr. Examiner.

Mr. Swaine: I doubt that we will need witnesses at the next hearing. Frankly, I think that we got all the statistical material in the record that we need to test out any plan.

Mr. Nicodemus: I agree with you.

Mr. Swaine: I wish there were some way of getting a preliminary indication from the Commission as to whether on this record it would be willing to sustain a plan which [2006] has charges of four and one-half million dollars before common stock.

Examiner Wilkinson: I do not think the Commission would care to indicate its decision on the plan other than in the ordinary, formal way.

Suppose we recess until two o'clock, and at that time all parties can come back and know pretty definitely as to what witnesses, if any, will be needed. Then we can agree upon a date for the next hearing. Will that be agreeable?

Mr. Nicodemus: I can say now that we need no further witnesses. I am perfectly willing to submit this on the record as it exists.

Mr. Swaine: I do not think we will, either. I think that if a substitute plan is brought forward it will be a plan which will be much more drastic than the one which is before the Commission now, and therefore if the record supports the present plan, a fortiori it will support the other one.

(Discussion off the record.)

H. E. POULTERER.

was recalled and testified further as follows:

Cross Examination

Q. (By Examiner Wilkinson). Exhibit 27 is offered in support of the forecast contained in exhibit 22, is it not? A. Yes. [2007]

Q. Would you mind stating for the record in a general way in what way Exhibit 27 supports Exhibit 22?

A. The forecasted figures obtained in Exhibit 27 are the figures that are used as estimated or forecasted revenues in exhibit number 22.

Q. In preparing your forecast for freight revenues, did you analyze each commodity handled by the Western Pacific over a period of years?

A. We analyzed by a classification of commodities and the principal traffic movements contained within those classifications.

Q. Did you give any consideration to the length of haul? A. Yes.

[Testimony of H. E. Poulterer.]

Q. As I recall, one of the things that Mr. Bon talked about a good deal was the possible change in freight rates. In just what way did that influence your forecast?

A. Very slightly. We do feel that the general level of freight rates is probably as low as it will go. If there is any change in that as to specific rates, we feel that the reduction in those specific rates is going to be productive of greater tonnage and will reflect a greater revenue.

I referred in my testimony to the action that has been taken by the California Commission. We carry a very [2008] large traffic in trucks in California. Of course, the conditions there with respect to regulation of other forms of transportation are somewhat different than they are interstate.

With that prospect of a possible increase in some rates that have been forced down to what we have considered an abnormally low level by reason of competition with other forms of transportation, that is probably going to increase these revenues that we have forecasted, and we feel on that basis that that represents a fairly conservative forecast.

Q. In connection with your estimate for passenger revenues, what rates did you have in mind, the prevailing rates? A. Yes.

Q. What are they in that particular territory at the present time?

[Testimony of H. E. Poulterer.]

A. Our prevailing rates are, generally speaking, I believe, two cents a mile in coaches and slightly higher in Pullmans.

Q. Is that the same rate as the Commission's recent decision in the Passenger Fares Case?

A. I am not sufficiently familiar with the passenger fares to be able to state. I do know that it is no higher.

Q. Would you say that your forecast is largely a judgment figure giving weight to your analysis of the past revenues [2009] of the Western Pacific?

A. Yes, I think that is what a forecast necessarily consists of.

Q. An arbitrary increase for each year in the future until you arrive at your maximum in 1940?

A. Rather arbitrary, but still based on what you might call informed judgment.

Mr. Wilkinson: That is all the questions we have.

(Witness excused.)

Mr. Willard: The Railroad Credit Corporation had intended to put on a witness. We have tried to avoid it. But I think if we may put in evidence a copy of the Marshalling and Distributing Plan, with which almost everyone here is familiar to some extent, it may not be necessary to put on a witness.

Mr. Nicodemus: We will agree that that goes in.

Mr. Swaine: That is all right.

Mr. Coulson: I would like to state for the record that I appeared at a prior hearing and entered

an appearance on behalf of A. C. James Company. The A. C. James Company is a junior creditor in the principal amount of approximately five million dollars advanced in 1931 and 1932 for the building of the northern California extension.

The presiding Examiner at the last hearing directed me to file a formal petition of intervention to preserve [2010] my status as a party, although the A. C. James Company have been classified by the courts in California as a separate class of creditor. I have prepared such a petition of intervention in compliance with the direction of the Commission, and if the Examiner feels that this is an appropriate time, I will file it with the Commission at this time.

Mr. Wilkinson: We can receive it right here.

Mr. Coulson: I may say that the position of this junior creditor, as stated in the petition of intervention, is in support of the basic principle of the company's plan, if we understand it, but we do suggest to the Commission that in the exercise of its power under Section 77 it may make modifications in certain substantial features of the plan as framed and presented.

Mr. Nicodemus: If the Examiner please, I think there is one question that I neglected to ask Mr. Elsey, which I would like to ask him now, if it is not too late.

Examiner Wilkinson: Very good.

CHARLES ELSEY

was recalled and testified further as follows:

Direct Examination

Q (By Mr. Nicodemus) Assuming a four million dollar revenue from the Northern California Extension, in determining what part of that would be net, you would not apply [2011] the system ratio? A. No, sir.

Q. What is the cost now to operate the Northern California Extension?

A. Between \$350,000 and \$400,000.

Q. So that there would be \$3,500,000 saved out of the four million dollars?

A. As far as the operation of the branch is concerned.

Mr. Nicodemus: That is all I wanted to ask.
(Witness excused.)

Mr. Nicodemus: I wonder whether the clients represented by Mr. Swaine should not also file separate petitions of intervention.

Mr. Swaine: I will have a petition of intervention at the next hearing.

Mr. Nicodemus: That will be a separate one for each creditor?

Mr. Swaine: No it will be an intervention for the group. I understand that in the other proceedings these fiduciaries have intervened as a group. That is what they did in the St. Paul, I know.

Examiner Wilkinson: Of course, I am not familiar with what they did in the St. Paul. When the petition comes in we can see then what it represents

Mr. Nicodemus: All right. [2012]

Examiner Wilkinson: The petition of A. C. James Company for leave to intervene, filed by the A. C. James Company by Robert E. Coulson, attorney for the petitioner, is received in the record.

(The petition of intervention of A. C. James Company was received.)

Mr. Nicodemus: Has Mr. Willard filed a similar petition of intervention?

Mr. Willard: Yes.

Examiner Wilkinson: Mr. Willard has already filed his and it has been passed on by the Commission.

We will adjourn at this time until May 13th.

(Whereupon, at 12:55 o'clock p. m., an adjournment herein was taken until May 13, 1936.)

[2013]

Hearing Room B, I.C.C. Building,
Washington, D. C.,

Wednesday, May 13, 1936.

The hearing was resumed at 10 o'clock a.m., pursuant to adjournment.

Before:

Harvey Wilkinson, Examiner.

Appearances:

Same as heretofore noted, and

J. R. Turney, appearing for J. R. Nicodemus, Jr., Western Pacific Railroad Company.

H. C. Kilpatrick, appearing for Robert E. Coulson, A. C. James Company. [2015]

PROCEEDINGS

Examiner Wilkinson: The Interstate Commerce Commission has assigned for further hearing at this time and place the matter of the reorganization of the Western Pacific Railroad Company, which is Finance Docket No. 10913.

Are there any additional appearances?

Mr. Turney. J. R. Turney is appearing merely by courtesy for Mr. Nicodemus, who is compelled to attend a session of the Court of Appeals of New York.

Mr. Kilpatrick. H. C. Kilpatrick, appearing for Mr. Coulson, who represents the A. C. James Company.

Examiner Wilkinson. I believe you gentlemen should fill out the appearance blanks furnished by the reporter.

You may proceed, Mr. Turney.

Mr. Turney. If the Examiner please, Mr. Nicodemus, who is counsel for the debtor was unable to be here today. He was called to New York by a case which was advanced in the Court of Appeals. Matters have arisen which led the various parties in the case to enter into a stipulation, or, rather, an agreement, whereby the Reconstruction Finance Corporation will make an engineering investigation of the costs which will be necessary for certain improvements to the property. Mr. Jones of that organization estimates that it will require sixty days to complete that investigation. Mr. Nicodemus asked me to state that [2017] all of the counsel of record, that is, Mr. Coulson, Mr. Alley, Mr. Swaine, Mr. Wood, and Mr. Willard had agreed upon the continuance or resetting of this case at least sixty days distant to enable that investigation by the Reconstruction Finance Corporation to be completed.

Examiner Wilkinson. We have before us, of course, a plan of reorganization which contemplates the expenditure of about \$10,000,000 for rehabilitation of the property. Is it your understanding that the Commission is going to be given the benefit of whatever study is made and some form of exhibit showing the study which will be made as a basis for any modification of plan?

Mr. Turney. Mr. Examiner, I cannot answer that: I assume so. But that matter was not discussed with Mr. Nicodemus. As a matter of fact, my conversation with Mr. Nicodemus occurred in a taxicab between my office and the station while he was catching a train yesterday afternoon. But I can see no reason why it should not. If you wish to postpone the hearing while I get Mr. Nicodemus on the 'phone, I shall be glad to give you a definite answer.

Examiner Wilkinson: I do not believe that is necessary.

It appears to the examiner that any modification of the plan should have supporting exhibits indicating what is the basis for the modification.

The Bureau of Finance is in receipt of information [2018] in the form of an exhibit submitted pursuant to a provision on page 245 of the record. The information shows the use of funds borrowed by the debtor from the Reconstruction Finance Corporation, from the Railroad Credit Corporation and from the A. C. James Company. I assume copies of these exhibits have been transmitted to all of the parties of record. These statements will be received in evidence as exhibit No. 36 subject to any motion to strike which may be offered by parties of record. I take it there is no objection on the part of any one here to their receipt.

Mr. Kilpatrick. Mr. Examiner; I feel I have not authority to either consent or object. I did not anticipate this and am not familiar with the issues. I hope, so far as the A. C. James Company is

concerned, counsel may have an opportunity to make any motion to strike he deems advisable.

Examiner Wilkinson. You may do so.

Off the record.

(Discussion off the record.)

(Exhibit No. 36, received in evidence.)

Examiner Wilkinson. Pursuant to the request of counsel, this hearing is adjourned until July 1, 1936, at 10 o'clock in the morning.

(Whereupon, at 10 o'clock a.m., adjourned until 10 o'clock a.m., July 1, 1936.) [2019]

Before the Interstate Commerce Commission

Finance Docket 10913

**WESTERN PACIFIC RAILROAD COMPANY
REORGANIZATION**

Room 5230, I.C.C. Building,

Washington, D. C.,

Wednesday, July 1, 1936

Met pursuant to adjournment at 10 o'clock, a.m.

Before:

Examiner R. T. Boyden, and

Examiner Harvey H. Wilkinson.

Appearances:

The same as heretofore noted.

Additional appearance:

W. Meade Fletcher, Jr., Attorney, and John Bäriger, Chief Examiner, Railroad Division, appearing for the Reconstruction Finance Corporation, Washington, D. C. [2021]

PROCEEDINGS

Examiner Boyden: Are you ready to proceed, gentlemen?

Mr. Nicodemus: On behalf of the Debtor, we are obliged to inform the Examiners that it will be necessary to have a further extension. We suggest an adjournment until approximately the middle of August. The reason for the adjournment is that the experts in the Railroad Division of the Reconstruction Finance Corporation have not yet filed their final report, and considerable time will be required to study the report, and when we have reached our own conclusions we have to prepare further evidence in the light of the facts as developed.

Examiner Boyden: Has the report been made available to you yet for study?

Mr. Nicodemus: I have not seen a report. I was uptown in New York yesterday afternoon attending the Railway Express meeting and did not go back to my office afterwards, but Colonel Coulsen indicates that perhaps some data were sent. That would have been in late yesterday afternoon.

Mr. Coulsen: I believe that is so, but not a complete report, as I understand it, only some basic charts and data.

Mr. Willard: We have received nothing yet.

Mr. Nicodemus: The bondholders are not here, but my [2022] understanding is that they have appointed an expert who has been out over the road, and he is to comment on the report of the Railroad

Division. I presume it will take some time for him to make a study of the Railroad Division's report.

Examiner Boyden: Is any representative of the bondholders' committee here this morning?

Mr. Fletcher, could you advise us when the report of the Reconstruction Finance Corporation will be complete, so that the various parties can institute study of it?

Mr. Fletcher: I was advised about ten days ago that they expected it to be ready before the hearing of July 1st. As to when it will be ready I am not sure.

Examiner Boyden: It has not been presented yet to the parties, has it?

Mr. Fletcher: I do not believe so.

Examiner Boyden: Have any other parties any suggestions with respect to when we should proceed further with this hearing?

Mr. Willard: It all depends on when the report will come in from the Reconstruction Finance Corporation. If we could get something more definite from the Reconstruction Finance Corporation we could tell better how much time will be required.

(Discussion off the record.) [2023]

(A short recess was taken.)

Mr. Fletcher: The report prepared by the Reconstruction Finance Corporation is here and can be presented. The Reconstruction Finance Corporation has no objection to the continuance of this hearing to a date not later than 30 days from now.

Examiner Boyden: If the report is here ready

to be submitted, have you witnesses to submit the report?

Mr. Barriger: I have one witness here. The man principally in charge is not here, primarily because I understood that the bondholders were going to request an adjournment, and the Reconstruction Finance Corporation would have no objection thereto, which I supposed was proof positive that the adjournment would be granted. Therefore, there was no occasion to bring one of our men all the way from California to Washington, since there was some other work in California which he could advantageously do.

Our principal witness is in California, but one man is here, and we could get the other one on by airplane tomorrow.

Mr. Nicodemus: Is the man in California still engaged on this job?

Mr. Barriger: No, on another job.

Examiner Boyden: What is the desire of the parties? [2024] Do they wish to have the testimony taken as far as possible this morning, or copies of the report distributed and the report not be presented for the record until they have had an opportunity to review it?

Mr. Nicodemus: We think the latter is the only course that is practicable. The bond holders are not here. They relied upon an adjournment.

Examiner Boyden: There was no indication that there would be an adjournment.

Mr. Coulsen: "If the Commission please, on behalf of A. C. James Company I would like to join in the suggestion made by Mr. Nicodemus on behalf of the company that a substantial adjournment be made, and at the same time urge that the parties to the proceeding be given an opportunity to look over the data that has been worked out by the Railroad Division of the Reconstruction Finance Corporation and give a careful study prior to the hearing at which it is brought up.

It seems to me that this study which Mr. Barriger's forces have made goes to the heart of the whole problem of readjusting the capital structure of the company, because until there is a sound determination as to the amount of new money required, you do not even have a starting point for a definitive plan, whatever talk we may have about the general scope. [2025]

I feel that under the circumstances here, with Mr. Barriger's report possibly and even presumably, from such indications as we have had, taking a position somewhat at variance with the proposals of the actual operating organization of the Western Pacific Railroad, and taking that in connection with the fact that that operating organization is in California, I think if we try to get along with an adjournment for the shorter period than the middle of August we are merely going to put the burden on the Commission of having another hearing at which all the parties will be forced to ask further adjournment.

Taking the necessity of bringing men on from California in conjunction with the fact that we are in the summer months, where so many people are not available for one reason or another for different periods, it seems to me that we will save time in the long run if we take an adjournment until the second half of August, which will give us all time to study these reports, and to contact with this expert whom the insurance companies have employed, as I understand the situation, and to endeavor to come before the Commission with some agreement on that one basic question that we need to start from, how much new money this property is going to require.

Examiner Boyden: If we adjourn now without having the Reconstruction Finance Corporation report formally [2026] presented for the record, is it going to be necessary for us to have a further adjournment to examine the testimony and the report when it is formally presented, or will the parties be able to go ahead from their study of the report at a later date when it is presented?

Mr. Coulsen: It seems to me that it would be quite feasible for us to proceed promptly at an adjourned hearing. The number of parties here is relatively small. There is no reason why we cannot all get together and make more rapid progress in informal consideration of the data that the Reconstruction Finance Corporation is going to present, and be ready, all of us, to present to the Commission such facts as seem necessary and proper for the formal record for consideration by the Commission,

all at one hearing, provided time enough is given for full consideration of these data and of the possibly conflicting viewpoints of the actual operating organization of the road, Mr. Barriger's organization, and this expert who I understand has been hired by the insurance companies who hold a substantial block of bonds in the property.

Mr. Willard: Perhaps Mr. Barriger can tell us whether his witnesses will go beyond the report.

Mr. Barriger: No, I think the report will speak for itself in its entirety. [2027]

Mr. Willard: The witnesses will just support the report?

Mr. Barriger: Yes.

Mr. Nicodemus: Why can you not file the report?

Mr. Barriger: We will do that and send you copies.

Might I ask one indulgence? If you had proceeded this morning we would have talked from our manuscript copy. I would like to have your indulgence to mail to you tonight or tomorrow the duplicate copies which are being prepared. Because we were working under considerable pressure to have everything done this morning, we would have talked from our manuscript copy today and asked permission to give you all the extra copies in 24 hours.

But I have the complete report here, and I think it says everything that any of our witnesses will say. If you want to develop the report further on cross examination, the witnesses will be available.

Mr. Nicodemus: Necessarily we would have to study it before we could do that.

(Discussion off the record.)

Examiner Boyden: Our calendar will require that this be set about August 25th. Is that acceptable to the parties?

Mr. Coulsen: It is acceptable.

Mr. Nicodemus: That is satisfactory. [2028]

Examiner Boyden: If we continue the hearing to that date, we should be able to proceed to a conclusion at that session?

Mr. Nicodemus: Yes.

Mr. Coulsen: Yes.

Examiner Boyden: I believe I should correct the statement I made to Mr. Nicodemus. There was a letter from the Director to the effect that if extension was asked for a date somewhere about the one I have suggested would have to be set.

Mr. Coulsen: Mr. Examiner, in connection with this matter of proceeding to a conclusion if possible on August 25th, which I think seems desirable to all parties here, I would like to ask whether there is any information as to whether there will be before the Commission at that time this plan which was referred to at the last extended hearing as a plan contemplated to be proposed by the insurance companies as an alternative to the company plan.

If that plan is to be before the Commission for consideration at the hearing on August 25th, I think we might save time by knowing about it before hand. I understand there was a certain informal fil-

ing with the Commission of that plan, but no formal presentation.

Examiner Boyden: Was there an informal submission of [2029] that plan to the other parties?

Mr. Coulsen: I think we have all seen proofs of the plan.

Examiner Boyden: Then if the plan is presented at that time, probably all of the parties will be ready to offer their objections to it at that time, do you not think so?

Mr. Coulsen: I think it would be helpful in preparing for the hearing if one knew more definitely whether it would be presented.

I think we could probably save time at that hearing.

Mr. Nicodemus: Mr. Examiner, in that connection, when the hearing on the Debtor's plan is under way, as I understand Section 77, no right exists to file another or different plan without leave.

Examiner Boyden: That is correct.

Mr. Nicodemus: So I think if there is any proponent of a new plan, he should be warned to apply to the Commission for leave to file it, then we will know who the proponents of the plan are and what the plan is.

Mr. Coulsen: I think Mr. Nicodemus has answered my question, Mr. Examiner.

Examiner Boyden: With respect to that, we are in receipt of a petition by Frederick H. Ecker, John W. Stedman, and Reeve Schley, as a committee representing [2030] certain institutional holders of

first mortgage bonds of the Western Pacific Railroad Company, and that petition has not as yet been acted upon by the Commission. It will be submitted to the Division and parties will be advised of the Commission's action.

We are also in receipt of a motion filed by counsel for the Western Pacific Railroad Company for an order striking from the files the petition to which I have just referred, or in the alternative for an order denying said petition, for reasons set forth in the motion. Have copies for this petition for leave to intervene and the motion with respect thereto been delivered to the parties?

Mr. Nicodemus: Copies have been delivered to Mr. Swaine. We understood that the Commission would distribute the extra copies under their own rule. If not, I will undertake to have the copies distributed.

Examiner Boyden: I believe you are correct in that. The Commission will distribute them.

This petition and the motion will be submitted to the Division and appropriate action taken and the parties advised. That will be attended to immediately, so that parties will have notice of what the situation will be when the hearing reconvenes.

Mr. Nicodemus: I furnished a copy to Colonel Coulsen. I am not sure that it was a final copy.
[2031]

Mr. Coulsen: I do not believe so. I saw it yesterday or the day before. You furnished it rather tentatively.

Examiner Boyden: Is there anything further to come before this hearing?

If not, we will adjourn until August 25th at 10 o'clock, a. m.

(Whereupon, at 10:30 o'clock, a. m., an adjournment was taken until August 25, 1936, at 10 o'clock, a. m.) [2032]

Before the
Interstate Commerce Commission.

Finance Docket 10913

**WESTERN PACIFIC RAILROAD
COMPANY REORGANIZATION.**

Anteroom B, I. C. C. Building,
Washington, D. C.,
Monday, September 28, 1936.

Met pursuant to adjournment at 10:00 o'clock a. m.

Before:

Examiner R. T. Boyden and
Examiner Harvey H. Wilkinson.

Appearances:

The same as heretofore noted.

Additional Appearances:

J. W. Barriger, III, T. A. Hamilton, and C. H. Halsper, Washington, D. C., appearing for Reconstruction Finance Corporation.

Orville W. Wood, (of counsel, Milbank, Tweed, Hope & Webb), 15 Broad Street, New York City, appearing for Trustees under Debtor's Mortgages. [2034]

PROCEEDINGS

Examiner Boyden: The Commission has assigned for further hearing this morning the matter of the Western Pacific Railroad Company Reorganization, Finance Docket No. 10913.

Are there any additional appearances?

Mr. Hamilton: Our appearance has already been entered, Mr. Boyden. Mr. Halsper and I are here. Mr. Barriger will be along in a little while.

Examiner Boyden: Are there any petitions of intervention to be filed?

(No response.)

Will you proceed, gentlemen?

Mr. Nicodemus: The Debtor is prepared to go forward. May counsel proceed?

Examiner Boyden: Yes.

Mr. Nicodemus: As the Examiners will recall, some months back an adjournment was taken to enable the Railroad Division of the Reconstruction Finance Corporation to make a survey of the property, and to analyze and consider the Debtor's rehabilitation program, and report whether in the judgment of its experts the program was sound and adequate.

At the same time the Institutional Bondholders' Committee designated Mr. E. P. Bracken to make a similar [2036] survey and report to them.

The experts of both the Reconstruction Finance Corporation and the Committee have completed their surveys and submitted reports.

We are very pleased to offer as one of the Debtor's exhibits the report submitted by the Railroad Division under date of July 1, 1936. We offer that without putting on any witnesses, believing that the report speaks for itself.

I do note that Mr. Barriger is present, and Mr. Hamilton, who participated in the work, is also present. If either of those gentlemen would like to submit any statement, we would be very glad to have them submit it at this time.

The Debtor has no comment to make other than to commend the report as an admirable document, and one that entirely confirms the judgment that had previously been reached by the management of the railroad company.

Unless those gentlemen have some statement to make, we offer the report as an exhibit. I should state that Mr. Swaine, counsel for the Institutional Bondholders Committee, has also requested that this report be filed as an exhibit.

Examiner Boyden: Has the Debtor any assurance or has the Commission any assurance that if there are any ques- [2037] tions that anyone wants to ask with respect to the report or its method of preparation, witnesses will be available to answer those questions?

Mr. Barriger: I think we may answer "Yes" to that question, Mr. Examiner.

Mr. Nicodemus: We make the same answer.

Mr. Barriger: I do not think that any statement is required now. Witnesses will be available at any time to answer questions about that report.

Mr. Swaine: I think it is only fair that I should state for the record that Mr. Bracken's report is substantially identical with the Reconstruction Finance Corporation report. It is my understanding that the report really was the composite work of Mr. Bracken and Mr. Hamilton, working together.

There is no substantial difference between the report as rendered by Mr. Bracken and that which has been introduced in evidence.

Mr. Boyden: Have you any witness that can identify the report? I mean, the Reconstruction Finance Corporation report.

Mr. Nicodemus: Mr. Hamilton is present.

Mr. Barriger: Mr. Hamilton will identify the report and answer any questions.

Mr. Nicodemus: I have one or two questions I would like [2038] to ask Mr. Hamilton, if he could be sworn as a witness and identified.

T. A. HAMILTON

was sworn and testified as follows:

Direct Examination

Q. (By Mr. Nicodemus) Mr. Hamilton, I hand you a document mimeographed in two volumes, entitled "Reconstruction Finance Corporation, Railroad Division, Report, Western Pacific Railroad."

(Testimony of T. A. Hamilton.)

This bears the facsimile signature of T. A. Hamilton and F. E. Lyford. I ask you if you are the Hamilton mentioned in that document.

A. Yes, sir.

Q. Do you identify that report in two volumes as a counterpart of the report which you submitted to the Railroad Division of the date which the report bears? I think it is July 1, 1936.

A. Yes, sir.

Q. Have you supplied copies of that to the Commission and interested counsel?

A. We have them here now, if they are desired, and we will see that they are supplied.

Mr. Nicodemus: We offer that in evidence.

Examiner Boyden: That will be marked Debtor's exhibit No. 37.

(Exhibit 37, Witness Hamilton, received in evidence.) [2039]

Examiner Boyden: Have you any further questions, Mr. Nicodemus?

Mr. Nicodemus: No, sir.

Examiner Boyden: Is there any cross examination?

Cross Examination

Q. (By Mr. Swaine) Mr. Hamilton, with reference to the estimated gross revenues of the property from January 1, 1936 through 1940, did you or your associates make any analysis of the estimates which had been supplied to you by the Debtor and

(Testimony of T. A. Hamilton.)

which I understand are the same estimates that have been introduced in evidence in this record?

A. No, sir, we made no such analysis. What we did was to take the revenues estimated for the future and their ton mile counterpart, turn that into the job of work which would be required of the plant, and we accepted those estimates for that purpose.

We did not analyze them or in any way compute them.

Q. Is it fair to say that the chart which follows page 38 of volume 1 and contains a projection of total operating revenues and freight revenues, with the word "estimate" in the upper right hand corner, does not represent your estimate but represents only the Debtor's estimate that we have heretofore had?

A. That is correct, sir.

Q. I do not understand that you are passing any opinion [2040] one way or the other on that estimate?

A. No, sir.

Mr. Swaine: That is all.

Mr. Nicodemus: Thank you very much.

Examiner Wilkinson: I should like to ask one question, Mr. Hamilton:

Q. Would your report have been any different in the event that the revenues estimated for the future had been less than the amount estimated by the Debtor?

A. That would depend on how much less.

(Testimony of T. A. Hamilton.)

May I perhaps answer the question by telling you what use we made of those revenue estimates in our compilation?

Accepting them, we had them reduced by the officers of the company who made the revenue estimates to terms of ton miles. The freight movement of the property, of course, is by far the major basis of the earnings. We reduced those to terms of net ton miles. That is, they had computed the revenue based on those net ton miles spread over the years. We converted those into gross ton miles based upon their past relationship of net and gross, empty car haul, and all that sort of thing, and in doing that job of work by gross ton miles, by train districts, and operating divisions, we based our judgment of the physical plant that would be required to economic- [2041] ally handle that volume of work, the weight of rail based on the gross ton miles expected to pass over it, the new engines that we recommended based upon the number of ton miles to be hauled; so that unless the reduction had been substantial or the increase in the revenues substantial, our figures would not have been much affected by them.

Does that make it quite clear?

Mr. Wilkinson: Yes.

Examiner Boyden: Are there any further questions?

Witness excused.

(Witness excused.)

Examiner Boyden: Have you anything further, Mr. Nicodemus?

Mr. Nicodemus: We have received from counsel for the Institutional Bondholders Committee a counterpart of the report submitted to them by Mr. E. P. Bracken. We should like to introduce as supplementary to the Reconstruction Finance Corporation's report the Bracken report. I recognize that to some extent, at least, it overlaps; certain of the exhibits are the same, and those have been omitted. But we would like to have this offered and accepted as the Debtor's exhibit.

In that connection, counsel for the Institutional Bondholders Committee have requested us to introduce one [2042] of the principal exhibits embodied in the Bracken report. They have not asked for the whole report, but as it seems to be logical to file with and as complementary and supplementary to the Reconstruction Finance Corporation report, I should like to offer it.

I have no way here to identify it. It is a photostat, but it is taken from the negative supplied by counsel for the Institutional Bondholders Committee.

Examiner Boyden: This is not the whole of the Bracken report, then?

Mr. Nicodemus: It is the whole of the Bracken report except the exhibits that also appear in the Reconstruction Finance Corporation's report.

Examiner Boyden: With this exhibit which you offered, the Reconstruction Finance Corporation re-

port, all of the Bracken report will be part of the record?

Mr. Nicodemus: Yes.

Examiner Boyden: But we do not know which of the Reconstruction Finance Corporation exhibits are part of the Bracken report.

Mr. Swaine: I think you can tell by the identification.

Mr. Nicodemus: They are identified in the body of this report.

Mr. Swaine: The references indicate which they were. In fact, my recollection is that they are numbered iden- [2043] tically as they are in the Reconstruction Finance Corporation report.

Mr. Nicodemus: I think they are.

Mr. Swaine: My recollection is that there are only two sentences in the entire report that differ from the Reconstruction Finance Corporation report.

Mr. Nicodemus: No, I think this exhibit 1 is entirely different.

Mr. Swaine: The supplemental letter?

Mr. Nicodemus: This exhibit 1 is different, the one that you asked to be put in.

Mr. Swaine: You mean, the revised estimate?

Mr. Nicodemus: The revised estimate dated June 24, 1936.

Mr. Swaine: Yes. I think it would be perhaps helpful if the Examiners knew what that was.

As a result of changes in the rehabilitation program, not very substantial, but some changes, the estimates of earnings made by the management were

changed, and Mr. Bracken supplied an exhibit showing the changes which would be required in the management's estimates of future earnings by reason of changes in the rehabilitation program. That is the exhibit to which Mr. Nicodemus referred.

Mr. Nicodemus: That would be exhibit 38. [2044]

Examiner Boyden: If any of the parties require it or if the Commission asks it, will you present a witness who will identify the exhibit and answer any questions with respect to it?

Mr. Swaine: We will assume that obligation; if either the Commission or any party wants Mr. Bracken, we will produce him.

Mr. Nicodemus: We could produce Mr. Bracken, but we could not produce him today.

Examiner Boyden: You have seen this exhibit, Mr. Swaine?

Mr. Swaine: Yes.

Examiner Boyden: Is there any objection to the receipt of exhibit 38?

Mr. Willard: May I see a copy of it? I have not yet seen it.

Mr. Swaine: I think in order to avoid any confusion it should be stated at this point that Mr. Bracken, like Mr. Hamilton, accepted the management's estimates of future earnings.

Mr. Nicodemus: The report so states, I believe. If it does not, it is a fact

Mr. Swaine: So that it should not be deemed to be his estimate?

Mr. Wilkinson: Mr. Swaine, when you say Mr. Bracken accepted the estimates, do you mean that he adopted them [2045] or that he agrees that the estimates as to the future are correct?

Mr. Swaine: No, I mean that, just as Mr. Hamilton stated, he assumed those estimates, and then from those computed the capital expenditures that might be necessary to do that volume of business. He made no independent analysis of future earnings or future operating expenses.

Examiner Boyden: Have you anything further to offer, Mr. Nicodemus? We will pass for the time being the ruling on this exhibit, until Mr. Willard has had an opportunity to look it over.

Mr. Willard: I notice that the letter dated July 1st on Mr. Hamilton's report states that the report has not been analyzed or examined with care by the directors of the Reconstruction Finance Corporation.

Has the Reconstruction Finance Corporation, since that time, had an opportunity to study it and to take any position with reference to it?

Mr. Barriger: You may recall that the chairman left Washington very early in July, and only returned last week. While he was away I do not believe that he had any opportunity to study this report.

Mr. Willard: It is still to be regarded as an individual report?

Mr. Barriger: Yes. [2046]

Mr. Willard: I have no objection to these going in as exhibits, then.

Examiner Boyden: Both exhibits 37 and 38 are received in evidence.

(Exhibit 38 was received in evidence.)

[Here follows Exhibit No. 38 continuing to page 2233.]

EXHIBIT NO. 38

E. P. BRACKEN
547 West Jackson Blvd.
Chicago

July 1, 1936.

Frederick H. Ecker, Esq.,
Chairman of the Board,
Metropolitan Life Insurance Co.,
New York, N. Y.

Robert T. Swaine,
15 Broad Street,
New York, N. Y.

Gentlemen:

I attach herewith to each of you, copy of report I have prepared in connection with the rehabilitation of the Western Pacific Railroad Company, the funds for which it is proposed to secure from the Reconstruction Finance Corporation in an amount not to exceed \$10,000,000. The report is explanatory in itself, and was prepared after having spent a month's time on the property.

I shall hold myself in readiness to render any further service that may be desired in answering in detail any questions that may arise, or attending whatever conferences may be called where my presence is desired.

Very truly yours,

E. P. BRACKEN.

REPORT TO

Frederick H. Ecker, Esq.,
Chairman of the Board,
Metropolitan Life Insurance Co.,
New York, N. Y.

In the matter of a reorganization of the Western Pacific Railroad Company. Submitted by Mr. E. P. Bracken.

The adequacy of the proposed \$10,000,000 loan to properly rehabilitate the road and furnish necessary additional facilities having been questioned by the Reconstruction Finance Corporation, it assigned a party to make an exhaustive study and report of the Railway's present and future requirements.

The party, consisting of representatives of the Reconstruction Finance Corporation, Bondholder's Committee, and the Railway Management, left Salt Lake City June 8, 1936 on inspection special, reaching San Francisco June 10, 1936. Inasmuch as the leaders of the RFC party had inspected the property in 1935 they, together with the officers of the Western Pacific and representative of the Bondholder's Committee, immediately considered the situation.

The recommendations contained in the report of the Reconstruction Finance Corporation are those finally agreed upon by the three interests, i. e., Reconstruction Finance Corporation, Bondholder's Committee and Western Pacific Railroad Company, as being necessary. (See Exhibits 1 to 4, inclusive, attached.)

Items requiring an additional expenditure approximating \$600,000 were considered essential, but the inclusion of that sum will still make it possible to keep well within the proposed loan of \$10,000,000.

The installation of treated ties will be started in 1937, the cost of which will be assumed by the Railway and currently charged to operating expenses.

The acquisition of new freight engines and cars, and a wrecking derrick will be handled by the Railway through an Equipment Trust, thus eliminating the necessity of any new money for these items.

Ruling of the Interstate Commerce Commission that operating charges incident to the rehabilitation program cannot be charged to Profit and Loss, will result in distortion of the Income Account. It is hoped that a modification of this ruling may be secured, in connection with which the attached Revised Forecast of Consolidated Income (Exhibit 1), which includes the additional expenditures involved, has been prepared showing the charges in each of the three years under review, i. e., 1936, 1937 and 1938.

This report does not deal with the financial status of the property, past or present.

The purpose of the report and exhibits attached, is to set forth, as determined by the studies under-

lying it, the needs of the property in improvement of fixed plant, existing motive power and cars, and the acquisition of additional motive power, other rolling stock, and appurtenances.

No improvements of any importance are needed on the branch line mileage, or on the Keddie-Bieber line. This report covers the Salt Lake-Oakland main line only.

Respectfully submitted,

E. P. BRACKEN.

Chicago, Illinois,
July 1, 1936.

EXHIBIT No. 1

The Western Pacific Railroad System
Comprised of
The Western Pacific Railroad Company
Sacramento Northern Railway
Tidewater Southern Railway Company
Deep Creek Railroad Company

Income
Account
Revised
6-24-36

A REVISED FORECAST OF CONSOLIDATED INCOME

STATEMENT SHOWING CORRECTIONS TO "FORECAST OF CONSOLIDATED REVENUES, EXPENSES AND INCOME" WHICH WAS FILED IN FINANCE DOCKET NO. 10913 AS STATEMENTS NOS. 1 AND 2 OF EXHIBIT 29, SUCH CHANGES BEING OCCASIONED BY REVISION OF 3-YEAR REHABILITATION PROGRAM AS OF JUNE 24, 1936, INTRODUCTION OF CREOSOTED TIES, AND ADDITION OF ESTIMATED CARRYING CHARGES FOR COSTS OF PROPOSED NEW EQUIPMENT PURCHASES TO BE MADE IN 1937 AND 1938.

Item	1936	1937	1938	1939	1940
1 Assumed System Operating Revenues (From Line 6, Statement No. 2, Exhibit 29)	\$15,050,200	\$16,761,200	\$18,325,200	\$20,288,200	\$21,632,200
2 Total Income (Line 28, Statement No. 2, Exhibit 29)—See Note A below	1,647,936(A)	2,465,236(A)	3,049,136(A)	3,769,836	4,171,736
Deductions from Total Income Account Changes Since Exhibit 29 Was Filed:					
3 Account Operating Expenses incident to use of creosoted ties	—	140,000	200,000	286,650	286,650
4 Account changes in Excise Taxes due to revision of Rehabilitation Program	2,700	22,000	9,300*	—	—
5 Revised Total Income (After deduction of Items 3 and 4 hereof)—See Note A below	1,645,236(A)	2,303,236(A)	2,858,436(A)	3,483,186	3,885,086
6 Miscellaneous deductions from Income (Line 30, Statement No. 2, Exhibit 29)	123,850	122,650	119,550	117,350	115,250
7 Revised Amount Available for Interest on All Funded Debt—See Note A below	1,521,386(A)	2,180,586(A)	2,738,886(A)	3,365,836	3,769,836
Deductions for Interest on Certain Funded Debt:					
8 WP RR existing Equipment Trusts and Lease Conditional Sale Agreement (Line 32, Statement No. 2, Exhibit 29)	121,680	82,875	45,215	24,772	17,976
9 Proposed Equipment Trusts for purchases in 1937 and 1938	—	83,360	103,723	96,438	89,152
10 At 4% on securities sold to finance Rehabilitation Program (Line 34, Statement No. 2, Exhibit 29)	65,000	190,000	330,000	400,000	400,000
11 Funded Debt of Subsidiaries (Line 35, Statement No. 2, Exhibit 29)	2,940	2,580	2,220	1,860	1,500
12 Total Interest on Certain Funded Debt (Items 8, 9, 10 and 11 hereof)	189,620	358,815	418,158	523,070	508,628
13 Available for Interest on Debt Other Than Provided for Above—See Note A below	\$ 1,331,766(A)	\$ 1,821,771(A)	\$ 2,257,728(A)	\$ 2,842,766	\$ 3,261,208
14. Note A: Figures shown by Statement 2 of Exhibit 29 and by Items 2, 5, 7 and 13 of this statement, do not include effect of Operating Charges incident to the Rehabilitation Program for 1936, 1937 and 1938.					
Finance Division of the Interstate Commerce Commission has ruled that such Program operating charges must be included in appropriate Operating Expense Accounts. Such handling of the accounting will reduce the amounts shown by Items 2, 5, 7 and 13, above, to the following extent:					
Operating Charges incident to Rehabilitation Program as revised June 24th, 1936, are	\$ 1,747,284	\$ 2,021,312	\$ 1,280,074	None	None

Office of the President,
San Francisco, California,
June 24th, 1936.

*Denotes red figures.

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[Printer's Note: Exhibit 1A is here omitted because same is identical with Statements 1 and 2 of Exhibit No. 29 (Pages 2023 to 2027) of this printed record.]

Revised 6-24-36

EXHIBIT No. 1-B

The Western Pacific Railroad Company

ESTIMATED EXPENDITURES FOR REHABILITATION PROGRAMMED
FOR 1936, 1937, 1938

Recapitulation

(Not Including New Equipment Required in 1937-1938)

		Gross Operating			Estimated
	Total	Salvage	Net	Capital	Cash
	Charges		Operating	Charges	Required
EXTRAORDINARY—1936					
Way and Structures	\$ 2,475,426	\$ 498,309	\$1,169,781	\$ 807,336	\$2,341,207
Equipment Rehabilitation	748,404	13,931	577,503	156,970	734,868
Total 1936	\$ 3,223,830	\$ 512,240	\$1,747,284	\$ 964,306	\$3,076,075
100 New Hopper Cars	232,960			232,960	232,960
Grand Total 1936	\$ 3,456,790	\$ 512,240	\$1,747,284	\$1,197,266	\$3,309,035
EXTRAORDINARY—1937					
Way and Structures	\$ 2,806,096	\$ 490,145	\$1,220,980	\$1,094,971	\$2,624,254
Equipment Rehabilitation	1,143,650	20,119	800,332	323,199	1,123,136
Total 1937	\$ 3,949,746	\$ 510,264	\$2,021,312	\$1,418,170	\$3,747,390
EXTRAORDINARY—1938					
Way and Structures	\$ 2,162,583	\$ 375,363	\$ 935,745	\$ 851,475	\$2,004,119
Equipment Rehabilitation	579,414	4,052	344,329	231,033	575,362
Total 1938	\$ 2,741,997	\$ 379,415	\$1,280,074	\$1,082,508	\$2,579,481
EXTRAORDINARY—THREE YEARS					
Way and Structures	\$ 7,444,105	\$1,363,817	\$3,326,506	\$2,753,782	\$6,969,580
Equipment Rehabilitation	2,471,468	38,102	1,722,164	711,202	2,433,366
Total Three Years	\$ 9,915,573	\$1,401,919	\$5,048,670	\$3,464,984	\$9,402,946
100 New Hopper Cars	232,960			232,960	232,960
Grand Total Three Years	\$10,148,533	\$1,401,919	\$5,048,670	\$3,697,944	\$9,635,906

(Exhibit No. 1-B—Continued)

NEW EQUIPMENT PROPOSED FOR 1937-1938

(Not included in Rehabilitation Program. To be financed by Equipment Trusts.)

Item		1937	1938
LOCOMOTIVES			
1	4 Simple Articulated 2-8-8-2 Locomotives	\$150,000 each	\$ 600,000
2	7 Simple Articulated 4-6-6-4 Locomotives	140,000 each	980,000
3	Total Locomotives	\$1,580,000	\$
FREIGHT CARS AND MISCELLANEOUS			
4	400 Box Cars—all steel, 40-foot, 50-ton	\$ 3,000 each	\$ 600,000
5	100 Flat Cars—all steel, 50-foot, 50-ton	2,000 each	100,000
6	50 Gondolas—all steel, 50-foot, 50-ton	2,200 each	110,000
7	100 Hopper Cars—All steel, selective dump	2,400 each	240,000
8	1 Wrecking Crane—200 ton capacity	85,000 each	85,000
9	Total Freight Cars and Miscellaneous	\$1,025,000	\$810,000
10	TOTAL NEW EQUIPMENT PURCHASES—1937, 1938	\$2,605,000	\$810,000

NOTE: If forecasts of revenues for 1936 to 1940, inclusive, are realized, additional motive power and cars will be required in addition to that shown above to properly handle such traffic in 1939 and 1940, but such requirements cannot be accurately forecast at this time. Two of the Company's present Equipment Trusts will be retired in 1938, another in 1941 and the last in 1943, and charges for future new equipment required in next 5 years can be expected after 1938 to total less than present charges.

Office of the President,
San Francisco, June 24, 1936.

EXHIBIT No. 1-C

The Western Pacific Railroad Company

PROGRAM OF WORK FOR REHABILITATION DURING APPROXIMATELY THREE YEARS, 1936, 1937, 1938
MAINTENANCE OF WAY AND STRUCTURESM W & S—3 Years
Revised 6-24-36

Line	Character of Work	Total Charges	Gross Operating		Capital Charges	Estimated Cash Required (Note B)
			Salvage	Net Operating		
Extraordinary Maintenance of Way & Structures—1936						
1	55.10 Miles 112-lb. Rail (Feather River Canyon)	\$ 730,497	\$ 142,541	\$ 401,268	\$ 186,688	\$ 715,968
2	47.62 Miles 112-lb. Rail (In Paired Track District)	390,740(A)	176,705	72,113(A)	141,922	381,115(A)
3	80.33 Miles 100-lb. Rail (Various locations—Eastern Division)	881,183	179,063	481,678	220,442	834,869
4	183.05 Miles Total New Rail—1936	2,002,420(A)	498,309	955,059(A)	549,052	1,931,952(A)
5	22.20 Miles Ballast—Crushed Rock (Feather River Canyon)	117,673	—	77,502	40,171	113,403
6	17.36 Miles Ballast—Gravel (West of Weso on Eastern Division)	84,385	—	48,066	36,319	73,465
7	50.00 Miles Ballast—Gravel (In Paired Track District)	160,328(A)	—	41,716(A)	118,612	123,168(A)
8	21.00 Miles Ballast—Gravel (East of Alazon on Eastern Division)	70,620	—	47,438	23,182	59,219
9	110.56 Miles Total New Ballast—1936	433,006(A)	—	214,722(A)	218,284	369,255(A)
10	Roadway Machines and Tools for Program Work	40,000	—	—	40,000	40,000
11	Total Extraordinary Maintenance of Way & Structures—1936	\$2,475,426(A)	\$ 498,309	\$1,169,781(A)	\$ 807,336	\$2,341,207(A)
Extraordinary Maintenance of Way & Structures—1937						
12	41.00 Miles 112-lb. Rail (Feather River Canyon)	\$ 545,300	\$ 126,034	\$ 279,866	\$ 139,400	\$ 533,000
13	32.61 Miles 112-lb. Rail (Various locations—Eastern Division)	394,418	93,754	181,996	118,668	362,949
14	98.59 Miles 100-lb. Rail (Various locations—Eastern and Western Divisions)	1,082,518	266,588	544,808	271,122	1,024,350
15	172.20 Miles Total New Rail—1937	2,022,236	486,376	1,006,670	529,190	1,920,299
16	17.67 Miles Ballast—Crushed Rock (Feather River Canyon)	99,853	—	61,686	38,167	90,258
17	45.00 Miles Ballast—Gravel (Eastern Division)	189,798	—	100,350	63,448	162,941
18	30.00 Miles Ballast—Gravel (In Paired Track District)	97,646(A)	—	25,256(A)	72,390	74,156(A)
19	92.67 Miles Total New Ballast—1937	387,297(A)	—	187,292(A)	200,005	327,355(A)
20	Passing Track Extensions—Feather River Canyon (Note C)	65,674	200	757	64,717	63,000
21	Passing Track at Wells, Nevada	14,489	569	661	13,259	9,000
22	Roundhouse—6 additional stalls at Oroville	96,800	—	7,000	89,800	87,000
23	Roundhouse—2 additional stalls at Elko	14,300	—	300	14,000	13,800
24	Roundhouse—2 additional stalls at Wendover	14,300	—	300	14,000	13,800
25	Turntable—New 120-foot at Elko	45,500	1,500	9,000	35,000	45,000
26	Turntable—New 120-foot at Wendover	45,500	1,500	9,000	35,000	45,000
27	Bridges—Strengthen various bridges for heavier power	100,000	—	—	100,000	100,000
28	Total Miscellaneous—Items 20 to 27, inclusive	396,563	3,769	27,018	365,776	376,600
29	Total Extraordinary Maintenance of Way & Structures—1937	\$2,806,096(A)	\$ 490,145	\$1,920,080(A)	\$1,001,071	\$2,831,276(A)

22	Roundhouse—2 additional stalls at Elko	14,300	300	14,000	13,800
23	Roundhouse—2 additional stalls at Wendover	14,300	300	14,000	13,800
24	Turntable—New 120-foot at Elko	45,500	1,500	9,000	35,000
25	Turntable—New 120-foot at Wendover	45,500	1,500	9,000	35,000
26	Bridges—Strengthen various bridges for heavier power	100,000	—	—	100,000
27					
28	Total Miscellaneous—Items 20 to 27, inclusive	396,563	3,769	27,018	365,776
29	Total Extraordinary Maintenance of Way & Structures—1937	\$2,806,096(A)	\$ 490,145	\$1,220,980(A)	\$1,094,971
	Extraordinary Maintenance of Way & Structures—1938				
30	43.26 Miles 112-lb. Rail (Various locations—Eastern Division)	\$ 523,230	\$ 124,373	\$ 241,434	\$ 157,423
31	92.60 Miles 100-lb. Rail (Various locations—Eastern and Western Divisions)	1,016,748	250,390	511,708	254,650
32	135.86 Miles Total New Rail—1938	1,539,978	374,763	753,142	412,073
33	24.17 Miles Ballast—Crushed Rock (Feather River Canyon)	133,999	—	84,377	49,622
34	22.08 Miles Ballast—Gravel (Eastern Division)	100,618	—	56,517	44,101
35	45.00 Miles Ballast—Gravel (In Paired Track District)	152,943(A)	—	38,868(A)	114,075
36	91.25 Miles Total New Ballast—1938	387,560(A)	—	179,762(A)	207,798
37	Section living quarters on Northern California Extension	100,569	—	—	100,569
38	Passing Track Extensions—Feather River Canyon (Note C)	59,476	200	1,241	58,035
39	Shop Facilities, South Sacramento (To handle added motive power)	75,000	400	1,600	73,000
40	Total Miscellaneous—Items 37, 38 and 39	235,045	600	2,841	231,604
41	Total Extraordinary Maintenance of Way & Structures—1938	\$2,162,583(A)	\$ 375,363	\$ 935,745(A)	\$ 851,475
	Extraordinary Maintenance of Way & Structures—1936, 1937, 1938				
42	96.10 Miles 112-lb. Rail (Feather River Canyon)	\$1,275,797	\$ 268,575	\$ 681,134	\$ 326,088
43	47.62 Miles 112-lb. Rail (In Paired Track District)	390,740(A)	176,705	72,113(A)	141,922
44	75.87 Miles 112-lb. Rail (Various locations—Eastern Division)	917,648	218,127	423,430	276,091
45	271.52 Miles 100-lb. Rail (Various locations—Eastern and Western Divisions)	2,980,449	696,041	1,538,194	746,214
46	491.11 Miles Total New Rail	5,564,634(A)	1,359,448	2,714,871(A)	1,490,315
47	64.04 Miles Ballast—Crushed Rock (Feather River Canyon)	351,525	—	223,565	127,960
48	105.44 Miles Ballast—Gravel (Eastern Division)	445,421	—	252,371	193,050
49	125.00 Miles Ballast—Gravel (In Paired Track District)	410,917(A)	—	105,840(A)	305,077
50	294.48 Miles Total New Ballast	1,207,863(A)	—	581,776(A)	626,087
51	Miscellaneous Items 10, 20-27, incl., 37, 38 and 39 above	671,608	4,369	29,859	637,380
52	Total Extraordinary Maintenance of Way & Structures—1936, 1937, 1938	\$7,444,105(A)	\$1,363,817	\$3,326,506(A)	\$2,753,782

Note A: Southern Pacific proportion of Paired Track expense is not included.

Note B: Cash required includes amounts equal to salvage of which a part will be subsequently sold as scrap, thus reimbursing cash to extent realized at time of sale.

Note C: Present plans contemplate passing track extensions at Bidwell, David, Blairsden and Merlin.

Note D: Program for 1936 now under way as shown above, but work proposed for the years 1937 and 1938 may eventually be modified as to order of precedence by changed requirements.

EXHIBIT No. 1-D

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The Western Pacific Railroad Company

PROGRAM OF WORK FOR REHABILITATION DURING APPROXIMATELY THREE YEARS, 1936, 1937, 1938

MAINTENANCE OF EQUIPMENT

(Not Including New Equipment Required)

M of E—3 Years
Revised 6-24-36

Line	Character of Work	Total Charges	Gross Operating		Capital Charges	Estimated Cash Required
			Salvage	Net Operating		
Extraordinary Maintenance of Equipment—1936						
1	Auto Box Cars, 14000 Series—Rebuild 50 with steel sides and Evans Loaders	\$ 112,550	\$ 750	\$ 47,100	\$ 64,700	\$ 111,800
2	Box Cars, 16/17/18000 Series—Rehabilitate 500 cars	200,000(X)	720	199,280(X)	— (X)	199,280(X)
3	Stock Cars, Single Deck—Convert 100 from 15000 Series Box Cars	36,000(X)	150	35,850(X)	— (X)	35,850(X)
4	Air-condition 4 units of passenger equipment	43,846	14	1,533	42,299	43,832
5	Replace arch bar trucks with cast steel—1600 various cars (Note Y)	341,800	12,200	292,000	37,600	329,995
6	Application Economy Devices to various locomotives	14,208	97	1,740	12,371	14,111
7	Total Extraordinary Maintenance of Equipment—1936 (Note A)	\$ 748,494(A)	\$13,931	\$ 577,503	\$156,970(A)	\$ 734,868(A)
Extraordinary Maintenance of Equipment—1937						
8	Auto Box Cars, 14000 Series—Rebuild 75 with steel sides and Evans Loaders	\$ 168,825	\$ 1,125	\$ 70,650	\$ 97,050	\$ 167,700
9	Auto Box Cars, 14000 Series—Rebuild 25 with steel sides without loaders	36,075	375	23,925	11,775	35,700
10	Box Cars, 16/17/18000 Series—Rehabilitate 500 cars	200,000(X)	720	199,280(X)	— (X)	199,280(X)
11	Stock Cars, Single Deck—Convert 100 from 15000 Series Box Cars	36,000(X)	150	35,850(X)	— (X)	35,850(X)
12	Stock Cars, Double Deck—Convert 100 from SD to DD in 75501 Series	14,000(X)	—	1,000(X)	13,000(X)	14,000(X)
13	Air-condition 3 units of passenger equipment	33,717	12	690	33,015	33,705
14	Replace arch bar trucks with cast steel—2520 various cars (Note Y)	525,033	17,737	465,812	41,484	506,901
15	Application Economy Devices to various locomotives	25,000	—	3,125	21,875	25,000
16	Additional Shop Tools, Sacramento Shops	50,000	—	—	50,000	50,000
17	Motor Drives for Shop Tools and Economy Devices at various roundhouses	55,000	—	—	55,000	55,000
18	Total Extraordinary Maintenance of Equipment—1937 (Note B)	\$1,143,650(B)	\$20,119	\$ 800,332	\$323,199(B)	\$1,123,136(B)
Extraordinary Maintenance of Equipment—1938						
19	Auto Box Cars, 14000 Series—Rebuild 98 with steel sides without loaders	\$ 141,414	\$ 1,470	\$ 93,786	\$ 46,158	\$ 139,944
20	Box Cars, 16/17/18000 Series—Rehabilitate 300 cars	120,000(X)	432	119,568(X)	— (X)	119,568(X)
21	Stock Cars, Single Deck—Convert 100 from 15000 Series Box Cars	36,000(X)	150	35,850(X)	— (X)	35,850(X)
22	Additional Shop Tools, Sacramento Shop	65,000	—	—	65,000	65,000
23	Application Economy Devices to various locomotives	25,000	—	3,125	21,875	25,000
24	Initiate program application Type "AB" Air Brakes—1000 cars	192,000	2,000	92,000	98,000	190,000
25	Total Extraordinary Maintenance of Equipment—1938 (Note B)	\$ 579,414(B)	\$ 4,052	\$ 344,329	\$231,033(B)	\$ 575,362(B)
Extraordinary Maintenance of Equipment—1936, 1937, 1938						
26	Auto Box Cars, 14000 Series—Rebuild 125 with steel sides and Evans Loaders	\$ 281,375	\$ 1,875	\$ 117,750	\$161,750	\$ 279,500
27	Auto Box Cars, 14000 Series—Rebuild 123 with steel sides without loaders	177,489	1,845	117,711	57,933	175,644
28	Box Cars, 16/17/18000 Series—Rehabilitate 1800 cars	520,000(X)	1,872	518,128(X)	— (X)	518,128(X)
29	Stock Cars, Single Deck—Convert 300 from 15000 Series Box Cars	108,000(X)	450	107,550(X)	— (X)	107,550(X)
30	Stock Cars, Double Deck—Convert 100 from SD to DD in 75501 Series	14,000(X)	—	1,000(X)	13,000(X)	14,000(X)
31	Additional Shop Tools	115,000	—	—	115,000	115,000
32	Air-condition 7 units of passenger equipment	77,563	26	2,223	75,314	77,537
33	Motor Drives for Shop Tools and Economy Devices at various roundhouses	55,000	—	—	55,000	55,000
34	Replace arch bar trucks with cast steel—4120 various cars (Note Y)	866,833	29,937	757,812	79,084	836,896
35	Application Economy Devices to various locomotives	64,208	97	7,990	56,121	64,111

Extraordinary Maintenance of Equipment—1937

8	Auto Box Cars, 14000 Series—Rebuild 75 with steel sides and Evans Loaders	\$ 163,825	\$ 1,125	\$ 70,650	\$ 97,050	\$ 167,700
9	Auto Box Cars, 14000 Series—Rebuild 25 with steel sides without loaders	36,075	375	23,925	11,775	35,700
10	Box Cars, 16/17/18000 Series—Rehabilitate 500 cars	200,000(X)	720	199,280(X)	— (X)	199,280(X)
11	Stock Cars, Single Deck—Convert 100 from 15000 Series Box Cars	36,000(X)	150	35,850(X)	— (X)	35,850(X)
12	Stock Cars, Double Deck—Convert 100 from SD to DD in 75501 Series	14,000(X)	—	1,000(X)	13,000(X)	14,000(X)
13	Air-condition 3 units of passenger equipment	33,717	12	690	33,015	33,705
14	Replace arch bar trucks with cast steel—2520 various cars (Note Y)	525,033	17,737	465,812	41,484	506,901
15	Application Economy Devices to various locomotives	25,000	—	3,125	21,875	25,000
16	Additional Shop Tools, Sacramento Shops	50,000	—	—	50,000	50,000
17	Motor Drives for Shop Tools and Economy Devices at various roundhouses	55,000	—	—	55,000	55,000
18	Total Extraordinary Maintenance of Equipment—1937 (Note B)	\$1,143,650(B)	\$20,119	\$ 800,332	\$323,199(B)	\$1,123,136(B)

Extraordinary Maintenance of Equipment—1938

19	Auto Box Cars, 14000 Series—Rebuild 98 with steel sides without loaders	\$ 141,414	\$ 1,470	\$ 93,786	\$ 46,158	\$ 139,944
20	Box Cars, 16/17/18000 Series—Rehabilitate 300 cars	120,000(X)	432	119,568(X)	— (X)	119,568(X)
21	Stock Cars, Single Deck—Convert 100 from 15000 Series Box Cars	36,000(X)	150	35,850(X)	— (X)	35,850(X)
22	Additional Shop Tools, Sacramento Shop	65,000	—	—	65,000	65,000
23	Application Economy Devices to various locomotives	25,000	—	3,125	21,875	25,000
24	Initiate program application Type "AB" Air Brakes—1000 cars	192,000	2,000	92,000	98,000	190,000
25	Total Extraordinary Maintenance of Equipment—1938 (Note B)	\$ 579,414(B)	\$ 4,052	\$ 344,329	\$231,033(B)	\$ 575,362(B)

Extraordinary Maintenance of Equipment—1936, 1937, 1938

26	Auto Box Cars, 14000 Series—Rebuild 125 with steel sides and Evans Loaders	\$ 281,375	\$ 1,875	\$ 117,750	\$161,750	\$ 279,500
27	Auto Box Cars, 14000 Series—Rebuild 123 with steel sides without loaders	177,489	1,845	117,711	57,933	175,644
28	Box Cars, 16/17/18000 Series—Rehabilitate 1300 cars	520,000(X)	1,872	518,128(X)	— (X)	518,128(X)
29	Stock Cars, Single Deck—Convert 300 from 15000 Series Box Cars	108,000(X)	450	107,550(X)	— (X)	107,550(X)
30	Stock Cars, Double Deck—Convert 100 from SD to DD in 75501 Series	14,000(X)	—	1,000(X)	13,000(X)	14,000(X)
31	Additional Shop Tools	115,000	—	—	115,000	115,000
32	Air-condition 7 units of passenger equipment	77,563	26	2,223	75,314	77,537
33	Motor Drives for Shop Tools and Economy Devices at various roundhouses	55,000	—	—	55,000	55,000
34	Replace arch bar trucks with cast steel—4120 various cars (Note Y)	866,833	29,937	757,812	79,084	836,896
35	Application Economy Devices to various locomotives	64,208	97	7,990	56,121	64,111
36	Initiate program application Type "AB" Air Brakes—1000 cars	192,000	2,000	92,000	98,000	190,000
37	Total Extraordinary Maintenance of Equipment—1936, 1937, 1938	\$2,471,468(AB)	\$38,102	\$1,722,164	\$711,202(AB)	\$2,433,366(AB)

Note A:—Program for 1936 now under way as shown, but the work proposed for 1937 and 1938 may be modified as to precedence by changed requirements. The cost of 100 new selective dump hopper cars delivered in May, 1936, shown on Recapitulation of the Three-Year Program.

Note B:—For estimate of New Equipment required in 1937 and 1938, see separate statement. Such new equipment is expected to be acquired through the medium of Equipment Trusts and is not included as an integral part of the Rehabilitation Program.

Note X:—Items marked "X" do not include costs of required replacement of arch bar truck frames on such cars with cast steel integral side frames. All arch bar truck replacements are grouped as one item for 1936 and 1937.

Note Y:—Under Association of American Railroad rules all cars in interchange after January 1st, 1938, must have cast steel integral side frame trucks.

Estimated Schedule	40-Ton	50-Ton
Year 1936	600	1,000
" 1937	2,423	97
Total	3,023	1,097

EXHIBIT No. 3

ESTIMATED COST FOR LAYING 112-LB. RAIL IN PLACE OF 100-LB. RAIL ON HILLS

Material	100 Lb. Track Cost		112-Lb. Track Cost	
Rail	159.48 G. T. at \$ 39.46	\$6,293	176.63 G. T. at \$ 39.46	\$6,970
Joints 100%	271 at 2.57	696	271 at 3.02	818
Bolts	23.85 Cwt. at 3.84	92	26.02 Cwt. at 3.84	100
Nutlocks	10.84 at 0.041	44	10.84 at 0.041	44
Tie plates	6400 at 0.26	1,664	6400 at 0.26	1,664
Rail anchors	1920 at 0.10	192	1920 at 0.196	376
Spikes 50%	65 Cwt. at 2.55	166	65 Cwt. at 2.55	166
Turnout complete	½ No. 10 at 563.00	282	½ No. 10 at 656.00	328
Company freight on excess wt.				10
Purchase expense		92		105
Total labor		\$ 9,521		\$10,581
Total material		1,320		1,375
Total cost per mile		\$10,841		\$11,956
Excess cost per mile				\$ 1,115

75.87 miles at \$1.115 per mile = \$84,595.00—Total Increased Cost.

Chilcoot	M.P. 339.56 to Omira	M.P. 358.25 = 18.69 miles
Sulphur	M.P. 474.67 to Jungo	M.P. 497.00 = 22.33 miles
Sonar	M.P. 747.20 to Jaster	M.P. 754.80 = 7.60 miles
Silver Zone	M.P. 775.25 to Clifside	M.P. 782.00 = 6.75 miles
Pilot	M.P. 787.00 to Wendover	M.P. 807.50 = 20.50 miles

Total 75.87 miles

CAN:SH

6/22/36

(Exhibit No. 3—continued)

The Western Pacific Railroad Company
**TREATED CROSS TIES, SWITCH TIES AND BRIDGE
 TIMBER. ESTIMATED ADDED YEARLY EXPENSE
 FOR TREATED MATERIAL BASED ON STUDIES AS
 OF JUNE 1, 1936.**

Year	Added Operating Expense	Added Capital	Total Added Expense
	Cross and Switch Ties	Bridge Timber	
1937	\$ 140,000	\$ 27,559	\$ 167,559
1938	200,000	27,559	227,559
1939	286,649	27,559	314,208
1940	286,649	27,559	314,208
1941	286,649	27,559	314,208
1942	286,649	27,559	314,208
1943	286,649	27,559	314,208
1944	286,649	30,968*	255,681
Total	\$2,059,894	\$161,945	\$2,221,839
1945	142,118*	30,968*	173,086*
1946	202,118*	30,968*	233,086*
1947	502,208*	30,968*	533,176*
1948 to 1955—Same savings annually as for Year 1947.			

*Denotes red figures.

Red figures denote reduction in yearly expense as compared with present expense.

Note: The above additional expense for treated ties is based on continuing the use of untreated ties under that portion of the main line laid with old rail until the old rail has been replaced with new, a part of which will be done in 1937 and the balance completed in 1938.

Office of Chief Engineer,
 San Francisco, California,
 June 18, 1936.

[Endorsed]: Finance Docket No. 10913. Exhibit No. 38.

Witness..... Filed Sept. 28, 1936.

[End of Exhibit No. 38]

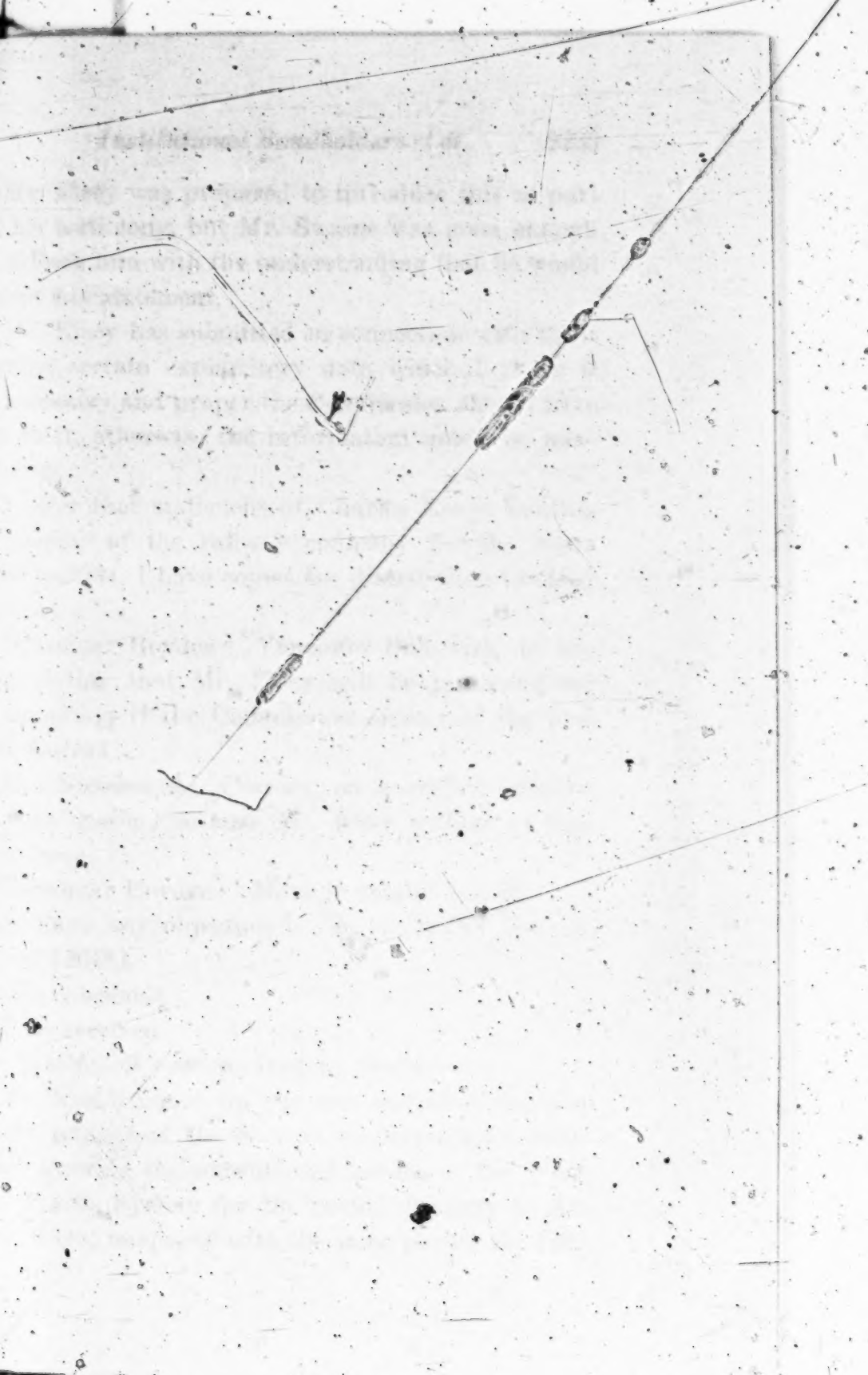
Mr. Nicodemus: Under date of August 25, 1936, the Interstate Commerce Commission, Division 4, filed in this proceeding a report of an accounting investigation of net income of the Western Pacific Railroad Company for the years 1930 to 1934, inclusive.

This was filed pursuant to paragraph 11 of subsection C of Section 77 of the Amended Bankruptcy Act.

Attached to this report is a theoretical income account of the Western Pacific Railroad Company for the years 1930 to 1934, that is, an income account restated so as to project backwards certain new items of expense and other adjustments.

Included in the income of the railroad company for each of these years was certain income accrued on the books and representing interest paid by or due from subsidiary companies. Certain of that interest was not earned, and counsel for the Institutional Bondholders Committee has requested that we submit to the Commission a statement showing the amounts of those respective items.

Incidentally, I wish to state that in this entire [2047] proceeding the carrier is relying upon the system accounts and not upon the accounts of the railroad company. That is to say, it is relying upon the consolidated income accounts while all inter-company items are eliminated; so it is not material from our standpoint, but we do wish to submit this statement pursuant to the request of counsel for the committee.



A. C. Jones Co. St. N. H.

~~This was first proposed to parliament at the~~

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1950

Mr. Elsey was prepared to introduce this as part of his testimony, but Mr. Swaine was good enough to release him with the understanding that he would accept his statement.

Mr. Elsey has submitted in connection with these figures certain explanatory data which I think it is necessary and proper the Commission should have before it, otherwise the information might be misleading.

I offer that statement of Charles Elsey, relating to income of the railway company for the years 1930 to 1934. I have copies for distribution to other counsel.

Examiner Boyden: You offer that with the understanding that Mr. Elsey will be presented for examination if the Commission or any of the parties desire?

Mr. Nicodemus: Correct, on a certain number of days' notice, because Mr. Elsey resides in San Francisco.

Examiner Boyden: Mark it exhibit No. 39.

Is there any objection to the receipt of this exhibit? [2048]

(No response.)

It is received.

(Exhibit 39 was received in evidence.)

Mr. Nicodemus: On our own initiative and also at the request of Mr. Swaine, we introduce a statement showing the consolidated income of the Western Pacific System for the period January to August, 1936, compared with the same period for 1935.

In that connection I should like to state that for many, many years, all of the net railway income of the carrier has been earned in the last quarter, so an eight months' statement is necessarily misleading unless it is made comparative, and unless you have some reasonably accurate estimate for what the next four months will be.

In offering this I should like to ask leave, after the case is closed, if practicable, to supply all of the counsel and the Commission from month to month with the actual results, so that if this case is held over until January 1st, you will have the actual for that 12 months.

Examiner Boyden: For what period do you want to figure those monthly statements?

Mr. Nicodemus: I would like to put them in as rapidly as they come in. It will be available each successive month on the 24th day of the following month. The information will ultimately be filed with the Commission, but [2049] it may be later.

Mr. Swaine: I think it would be very helpful to do that, to have the consolidated system income account sent down each month and by stipulation among counsel made part of the record, as long as the case is under advisement by the Commission.

Mr. Willard: I think so, too.

Examiner Boyden: Perhaps it would be helpful, too, Mr. Nicodemus, if you could give us the monthly figures for 1935 for the purpose of comparison.

Mr. Nicodemus: I will do that.

Mr. Swaine: They are on that.

Mr. Nicodemus: He means the subsequent statements.

Mr. Swaine: They can be in the same form as this one. This is a comparison of 1936 with 1935. Then if we ever get into 1937, I suppose you could make the same comparison as against 1936.

Mr. Nicodemus: Correct.

Examiner Boyden: My suggestion would be that you supplement this exhibit which you are now offering at this time as soon as possible with the monthly figures for the rest of 1935, which is not shown in that exhibit.

Mr. Nicodemus: Correct.

The next statement will be a nine months' statement, which will be compared as against September of 1935. [2050]

I offer this exhibit in evidence.

Examiner Boyden: Is there any objection?

(No response.)

Who prepared this exhibit?

Mr. Nicodemus: This was prepared by the president on the basis of data supplied him by the auditor.

Examiner Boyden: If necessary, you will present a witness to identify it and answer questions with respect to it?

Mr. Nicodemus: We will, with pleasure.

Examiner Boyden: Any objection?

(No response.)

It is received in evidence.

(Exhibit No. 40 was received in evidence.)

Examiner Boyden: As I understand it, counsel has stipulated that after the close of the record in this proceeding you may furnish monthly income system' statements.

Mr. Swaine: Which will be part of the record?

Examiner Boyden: Which will be part of the record.

Mr. Nicodemus: That is very nice. Thank you.

Examiner Boyden: You may furnish those statements.

This exhibit No. 40, Mr. Nicodemus, sets forth information which was contained in your previous exhibits?

Mr. Nicodemus: Correct.

Examiner Boyden: And was prepared and represents the [2051] same information continued forward?

Mr. Nicodemus: Correct.

